

# Multimedia Polska S.A.

## 2014 half-year results

# Disclaimer

This presentation may contain 'forward-looking statements' with respect to the business, financial results, and/or results of operations of the Multimedia Polska Group. Those statements do not provide any guarantee of future results and any expectations that may arise on the basis of this presentation are subject to known and unknown risks, uncertainties and other important factors. Factors that could cause actual results to differ materially from expected results include, but are not limited to, those set forth in our most recent annual report, the competitive environment in which we operate, changes in general economic conditions and changes in the Polish and/or global financial and/or capital markets. Forward-looking statements represent management's views as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. You are cautioned not to place undue reliance on our forward looking statements.

## 1

### **EBITDA**

- Our H1 2014 EBITDA\* was PLN 176.3m and decreased by ca. 1.6% year-on-year
- We continue to enjoy high EBITDA margin of 50.2%

## 2

### **Subscribers and RGUs**

- Our RGUs reached 1,563,800 at the end of June 2014; up 2.2% year-on-year
- We added ca. 56,200 digital TV subscribers (incl. IPTV), ca. 30,300 broadband subscribers (incl. mobile), and ca. 8,000 telephony subscribers (incl. mobile telephony and excl. indirect voice and payphones) year-on-year
- Our RGU/unique customer ratio was 1.90

## 3

### **Important change of methodology**

- Please note all data in this presentation is based on single counting of video RGUs and is, therefore, not comparable to the data published until Q3 2013. For more information and reconciliation of historical data, please refer to our Directors' Report for FY2013

(\*) Adjusted: operating profit plus depreciation and amortisation less one-off non-cash items

# Second Quarter 2014 Highlights

- **We added 4,600 net RGUs, including**

- 1,200 video RGUs
- 2,700 broadband RGUs, and
- 700 voice RGUs

- **We had 822,900 unique customers**

- 394,200 single play subscribers
- 300,100 double play subscribers
- 128,600 triple play subscribers

- **RGU/subscriber rate**

- 1.88 in Q1 2014
- 1.90 in Q2 2014

- **Blended ARPU per subscriber**

- PLN 68.30 in Q1 2014
- PLN 68.18 in Q2 2014

- **Blended ARPU per RGU**

- PLN 34.96 in Q1 2014
- PLN 34.70 in Q2 2014

# RGU Growth Highlights

Quarter-on-quarter ('000)	Q1 2014	Q2 2014	% change	new adds
video	758	759	0%	1
voice	288	289	0%	1
data	513	516	1%	3
<b>Total</b>	<b>1 559</b>	<b>1 564</b>	<b>0%</b>	<b>5</b>

Year-on-year ('000)	Q2 2013	Q2 2014	% change	new adds
video	760	759	0%	(1)
voice	284	289	2%	5
data	485	516	6%	30
<b>Total</b>	<b>1 530</b>	<b>1 564</b>	<b>2%</b>	<b>34</b>

- Our H1 2014 additions were impacted by the recent acquisition of Teletronik. However, our results were also impacted by the factors described in the FY2013 results presentation, such as the introduction of free digital terrestrial television (DTT) in Poland and our amended up- and cross-sell policies. As expected, the latter resulted in a drop in premium channels RGUs (down 14,200 y/y), which produced a drop in total video RGUs despite growth in cable television RGUs of 13,400 y/y. As a result of migration of our subscribers from analogue to digital services, we reported a decrease in analogue TV RGUs of 42,700 y/y, more than offset by an increase in digital TV RGUs of 56,200 y/y.
- Please note that we are presenting data according to new methodology (single counting of video RGUs). We used to report users of DTV (our first digital packages offered as an add-on to analogue TV) as 2 RGUs as there were two revenue streams on subscriber invoices. Later on, with gradual migration of subscribers to digital TV, we introduced a new digital TV offer (nDTV) that no longer involved analogue TV. As we now report DTV using the single counting approach, there is virtually no difference from the perspective of our operating results between DTV and nDTV. We expect the migration from DTV to nDTV to be finalized by the end of 2015. For details of RGU development under the new methodology please see Schedule no. 1 to our Directors' Report for FY2013.
- Data presented above is fully comparable and presented according to the single-counting methodology

# Multimedia Polska S.A.



Business Review

# Our Subscriber Base — 30 June 2014

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Our Market	<b>1,542,100</b> marketable homes	<b>822,900</b> unique subscribers	<b>1,563,800</b> total RGUs
Our Services	<b>759,000</b> video RGUs*	<b>515,700</b> broadband RGUs**	<b>289,200</b> voice RGUs***
Multiplay	<b>394,200</b> 1-play subscribers	<b>300,100</b> 2-play subscribers	<b>128,600</b> 3-play subscribers

(\*) Include 79,100 premium channel RGUs, 16,500 IPTV RGUs and 336,000 DTV RGUs (incl. nDTV)

(\*\*) Include 38,800 mobile broadband RGUs

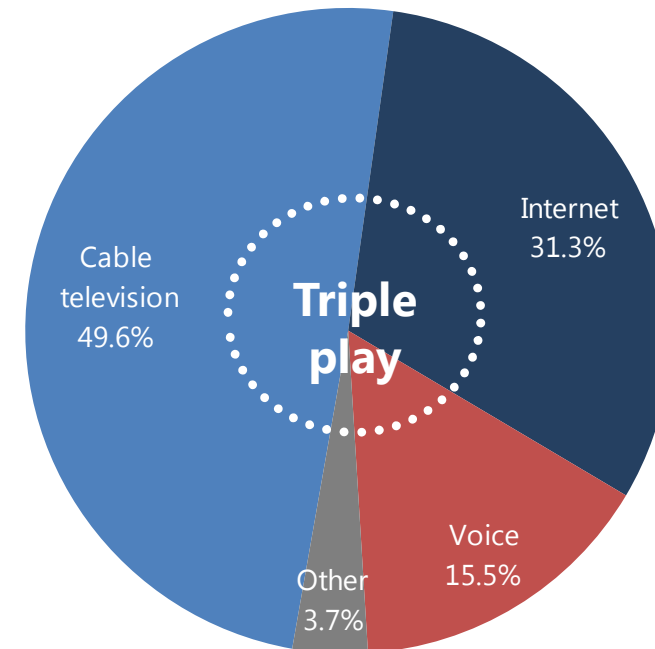
(\*\*\*) Include 16,800 indirect voice RGUs, 400 payphones, and 6,700 mobile voice RGUs

# Our Products Today

## Product offering

- We have a fully-developed up-to-date and innovative product offering which continues to be expanded in line with technological advance
- Our products comprise primarily:
  - ▣ TV (analogue TV, IPTV, DTV and nDTV, premium channels, VoD, PC streaming, interactive TV)
  - ▣ Internet (broadband, broadband DSL, Wi-Max, mobile)
  - ▣ Telephony (VoIP, PSTN, mobile, WLR, value-added services)
- We have already achieved our target revenue structure and continue to expand each segment
- Our new services involve: retail sale of electricity, home monitoring, and insurance services

## H1 2014 revenue breakdown

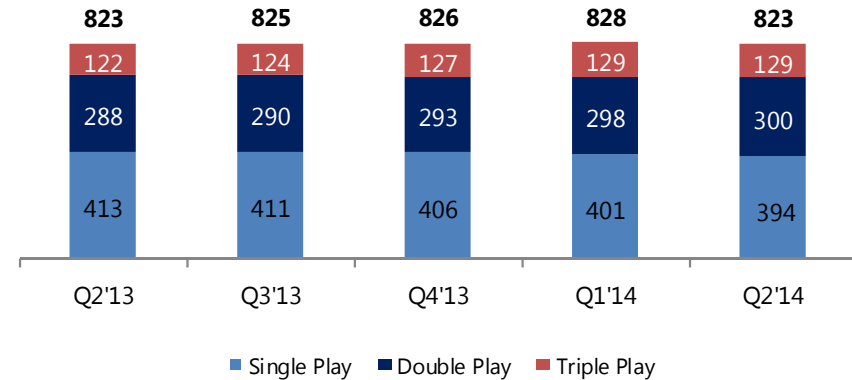




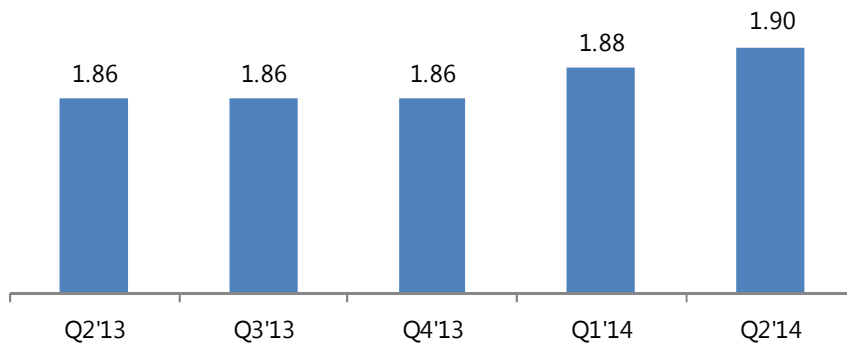
# Subscribers and ARPU

- The rise in unique customers in Q1'14 was connected with the acquisition of Teletronik, while the decline in Q2'14 is attributable to migrations of mostly single-play customers (largely group agreements with housing cooperatives) to DTT where 4 news channels have been added lately
- Due to the nature of the churning customers, the impact of the drop in customer numbers on our revenues was marginal
- ARPU per unique customer was stable q/q
- RGU per unique customer ratio was up from 1.88 in Q1'14 to 1.90 in Q2'14

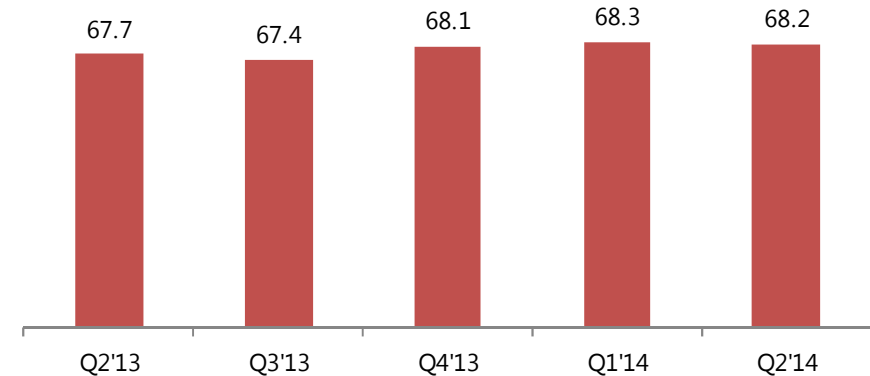
Unique customers ('000)



RGUs / unique customer



ARPU per unique customer (PLN)



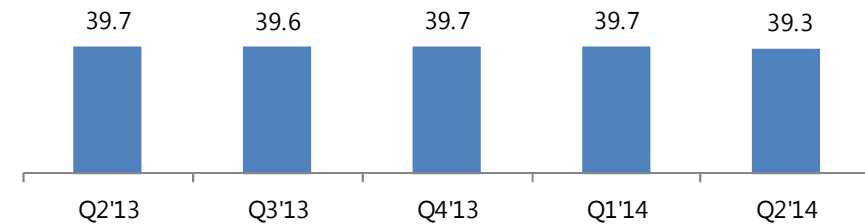
# ARPU per RGU—video services

- As announced previously, we adjusted our RGU reporting as from Q4'13. We provided comparable statistics according to our previous and current methodology in Schedule no. 1 to our Directors' Report for FY2013. This change to some extent affected ARPU on analogue and digital TV
- Due to the ongoing migration of customers from our previous DTV offer to new generation DTV (nDTV), we expect further declines in blended ARPU. This type of migration is incentivised and results in slightly lower nDTV ARPU. The process will be finalized in Q4'14 or Q1'15
- Migrations of customers from ATV to nDTV have a positive impact on blended video ARPU and once the first process is completed (migration from old DTV to nDTV), we expect to see blended video ARPU rise on the back of ATV to nDTV migrations starting from Q1-Q2'15
- We are also working on upselling our DTV services to single-play broadband customers and are seeing very good uptake of the service, which should translate into higher ARPU per HC in 2015

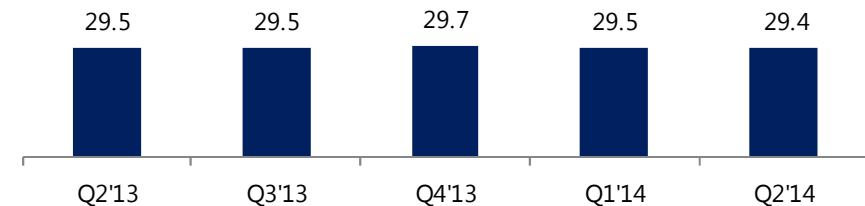
**Note:** ARPU figures are affected by the recent acquisition of Teletronik (in Q1'14) and Poland's nationwide analogue switch-off (2013 and H1'14)

All television ARPU figures exclude premium channels

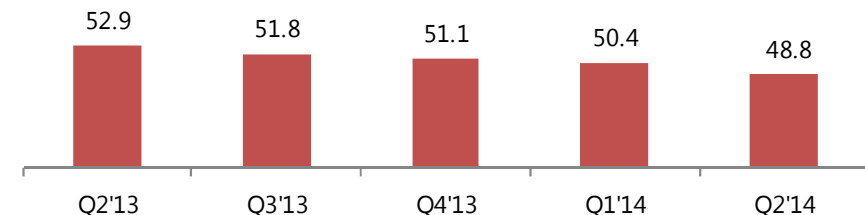
## Video - blended



## Analogue TV



## Digital TV

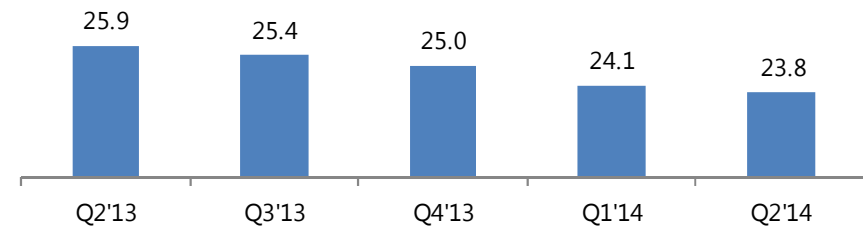


All data in PLN

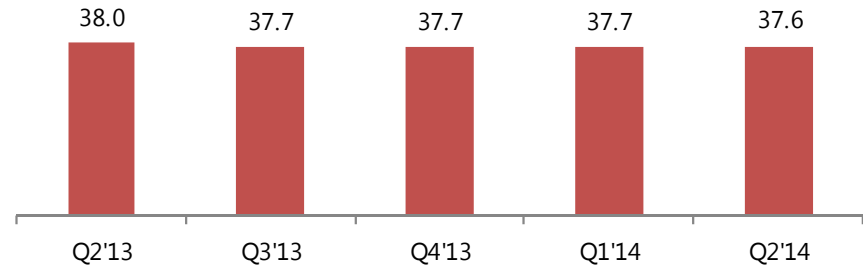
# ARPU per RGU—voice and data

- **VoIP:** Although ARPU on the service decreased further in Q2'14, net additions of VoIP users nearly offset the impact of declining VoIP ARPU on VoIP revenues. We strongly push VoIP sales through bundled offerings
- **PSTN:** In a long-term perspective like other market players we are seeing a decline in PSTN customers and ARPU
- **Broadband:** ARPU follows a steady trend. Our offer of high speed broadband has been welcomed by our customers and is currently expected to allow us to grow ARPU in the mid-term perspective
- Another factor impacting ARPU in Q1-Q2'14 and throughout 2013 are the interim rates that we introduced in January 2013. We believe that after some immediate negative impact, this policy has allowed us to post stable ARPU (blended) even despite unfavourable changes in our market environment (roll-out of free DTT)
- Our all-services blended ARPU was adversely impacted by the introduction of mobile telephony in Q1'14 that generates much lower ARPU than other core services

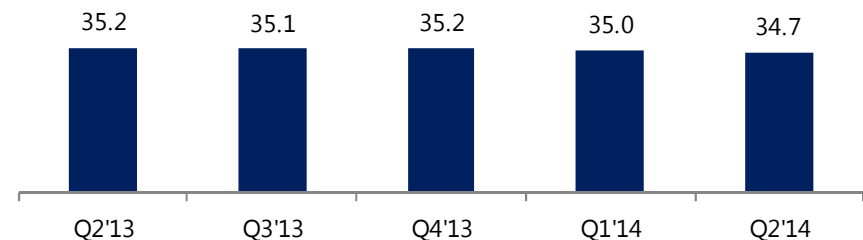
## Voice \*



## Data \*\*



## All Services Blended



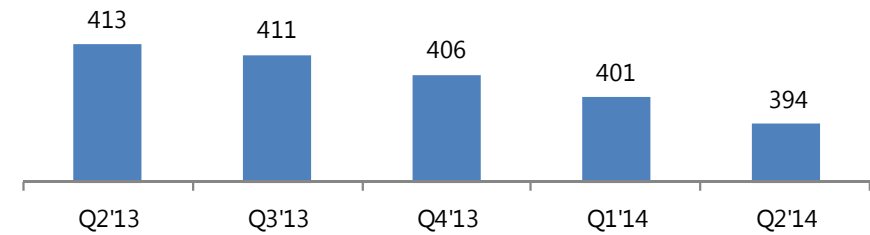
(\*) Voice ARPU excludes indirect voice, payphones and mobile telephony

(\*\*) Data ARPU excludes mobile broadband

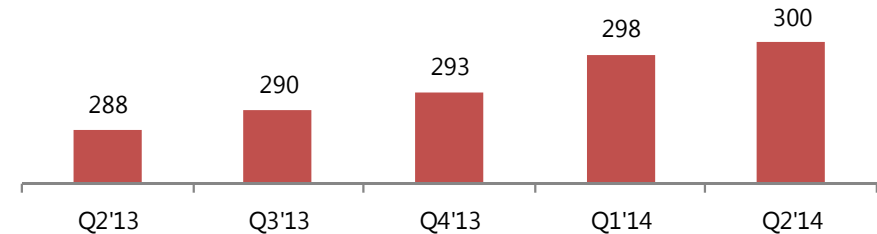
# Customer Base Structure

- In line with our strategy, we have been moving away from single play and towards double and triple play and we fully expect this trend to continue going forward
- As evidenced in 2013 we were able to upgrade many customers acquired in 2012 to higher service multiples, so there is a drop in 1-play customer base in favour of 2- and 3-play, as expected
- Q1-Q2'14 numbers are to some extent affected by the recent acquisition of Teletronik

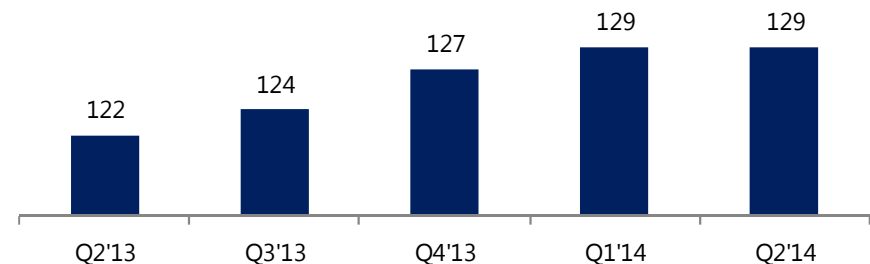
## Single Play



## Double Play



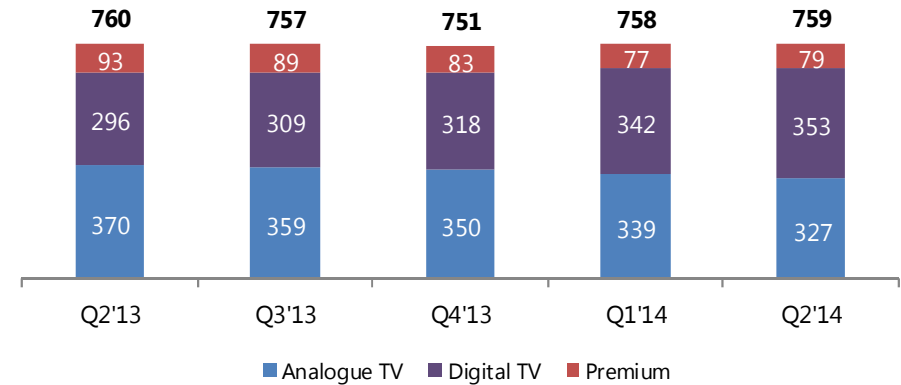
## Triple Play



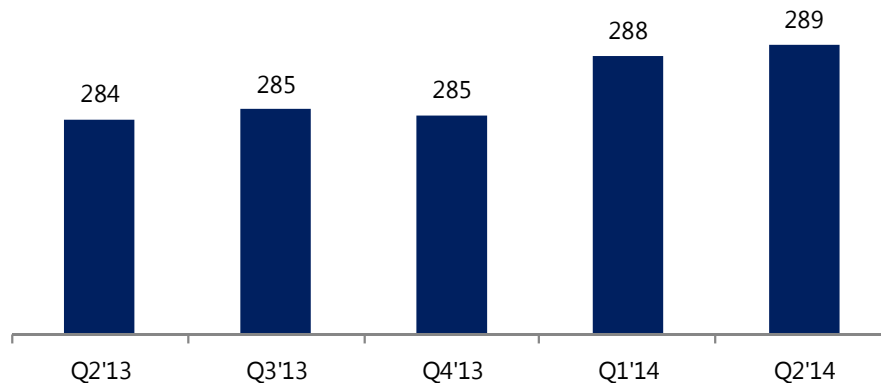
# Growth of Customer Base

- The decrease in video RGUs in 2013 was connected with some migrations of customers to Digital Terrestrial Television (DTT)
- The 2013 decrease was further attributable to the change of our up-sell and cross-sell policies that translated into a drop in premium channel RGUs, which continued into H1'14
- Our RGU numbers are also impacted by our recent acquisition of Teletronik (consolidated from 1 January 2014)

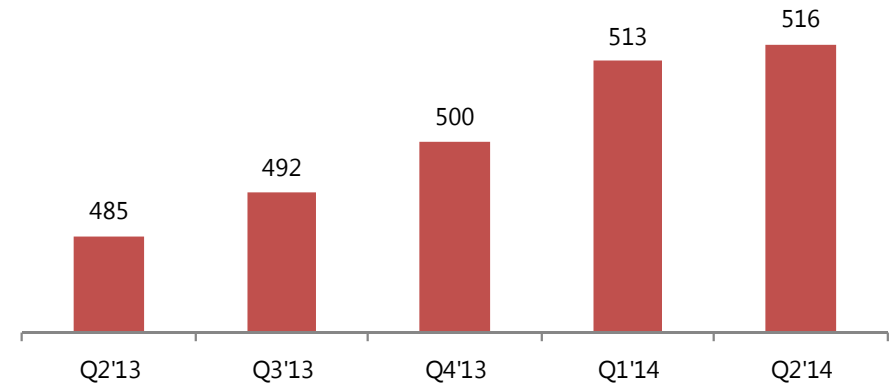
**Video RGUs**



**Voice RGUs**



**Data RGUs**



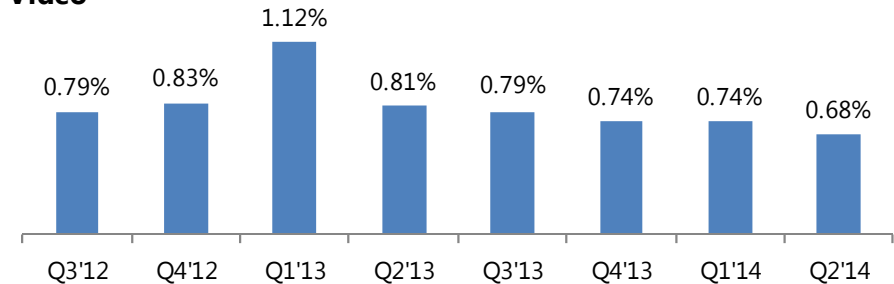
All data in thousands, based on the single-counting approach

# Churn – under control due to service bundling

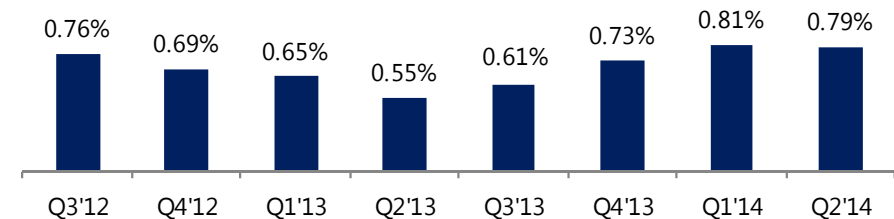
- Reducing churn continues to be one of our strategic objectives
- We believe attractive products and pricing are the key to success alongside high quality of both services and customer care
- The key change in strategy introduced at the start of 2013 are our interim rates offered to customers with expiring promotional offerings to stop them from churning; this strategy is bringing the expected results as evidenced in Q1'14 for our video services
- Our data services suffered higher churn in Q2'14 due to seasonality: mostly resignations of students leaving for holidays
- A new churn-control measure in place from Q1'14 is the bundling of our mobile voice offering (MVNO) with fixed-line voice services. We expect to see some positive impact of this offering on our churn rates in the future

**Note:** All churn rates are provided for our core services, i.e. video excluding premium channels; voice excluding indirect voice services, payphones and mobile telephony; and data excluding mobile broadband

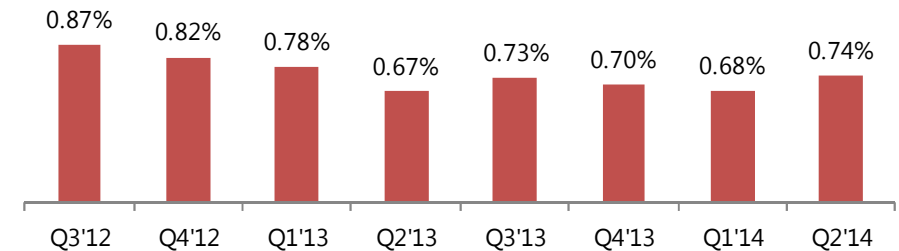
## Video



## Voice



## Data



Monthly average in a given quarter

# Multimedia Polska S.A.



## Financial Review

# Revenue Structure Quarterly

Revenues (PLN '000)	Q2 2013	Q1 2014	Q2 2014	y-o-y % change	q-o-q % change
analogue TV	33 412	30 546	29 417	-12%	-4%
digital TV	46 173	49 854	50 776	10%	2%
premium channels	7 093	6 334	6 615	-7%	4%
interactive TV	12	81	96	696%	19%
internet	53 017	54 776	55 176	4%	1%
telephony	28 995	27 122	27 379	-6%	1%
other revenues	5 061	7 012	6 158	22%	-12%
<b>Total Revenues</b>	<b>173 764</b>	<b>175 724</b>	<b>175 617</b>	<b>1%</b>	<b>0%</b>

- The slight rise in total revenues year-on-year was driven by digitalization of our subscriber base and continued expansion of broadband internet services, despite the continued negative impact of the 2013 nationwide switch-over to digital terrestrial television (DTT) in Poland
- The rise was also underpinned by the recent acquisition of Teletronik
- Digital TV revenues continue to grow in line with customer migrations from analogue to digital TV as well as new RGU additions (also from Teletronik)
- Broadband revenue growth was slightly slower quarter-on-quarter due to our interim pricing strategy, the seasonality of student-related disconnections, and less push to sell mobile broadband services that generate lower margins



# Operating Expenses Quarterly

Expenses (PLN '000)	Q2 2013	Q1 2014	Q2 2014	y-o-y % change	q-o-q % change
programming and copyrights	27 252	27 576	27 975	3%	1%
variable costs of Internet services (incl. bandwidth)	2 719	2 319	2 180	-20%	-6%
interconnect and WLR fees	4 523	4 126	4 919	9%	19%
new projects			4	-	-
network maintenance	14 454	15 111	15 514	7%	3%
subscriber costs	2 282	1 880	2 548	12%	36%
sales and marketing	8 305	9 436	12 585	52%	33%
personnel costs	20 472	16 107	20 268	-1%	26%
general management	11 523	14 842	11 877	3%	-20%
<b>Total Expenses</b>	<b>91 530</b>	<b>91 396</b>	<b>97 869</b>	<b>7%</b>	<b>7%</b>

- Quarter on quarter, our overall costs went up 7% primarily on the back of higher personnel costs (up PLN 4.2m q/q) and higher sales and marketing costs (up PLN 3.1m q/q)
- Personnel costs went up due to the payment of IPO related bonuses in Q2'14 totalling PLN 3.5m
- Sales and marketing costs increased due to marketing campaign costs connected with the launch of new products, particularly home monitoring and mobile broadband, and increasing brand awareness in general
- At the same time general management costs declined considerably quarter-on-quarter as most of the IPO related advisory costs were borne in Q1'14
- Please note we have introduced a new structure of expenses as of Q4'13, which in our opinion allows for better understanding of our business. This layout is also used for management reporting. We provided comparable statistics according to our previous and current methodology in Schedule no. 2 to our Directors' Report for FY2013.

# Income Statement Quarterly

Income Statement (PLN '000)	Q2 2013	Q1 2014	Q2 2014	y-o-y % change	q-o-q % change
Revenues	173 764	175 724	175 617	1%	0%
Expenses (excl. D&A)	91 530	91 396	97 869	7%	7%
Adjusted EBITDA	88 099	91 361	84 975	-4%	-7%
<i>margin</i>	<i>50.7%</i>	<i>52.0%</i>	<i>48.4%</i>	-	-
Operating profit	31 616	34 044	31 683	0%	-7%
Net interest	(45 888)	(14 895)	(15 932)	-65%	7%
Profit before tax	(14 272)	19 149	15 751	-210%	-18%
Income tax	1 818	6 520	4 256	-	-
Profit for the year	(16 090)	12 628	11 494	-171%	-9%

- Quarter-on-quarter, our sales revenue was stable. We managed to post stable revenues despite the decline in our customer base as the disconnections involved primarily single-play low-tier customers (group agreements with housing cooperatives), mostly lured by the enhanced DTT offering (four new channels)
- Our overall expenses went up 7% q/q primarily on the back of higher personnel and S&M expenses (see explanations on previous slide). We believe that the marketing spend largely borne in Q2'14 will contribute to generating higher revenues in Q3 and Q4'14
- Stable revenues coupled with higher operating expenses resulted in a drop in our adjusted EBITDA both year-on-year (-4%) and quarter-on-quarter (-7%)
- Our operating profit also declined q/q as a result (-7%).

# Revenue Structure and Operating Expenses

## Year-on-Year

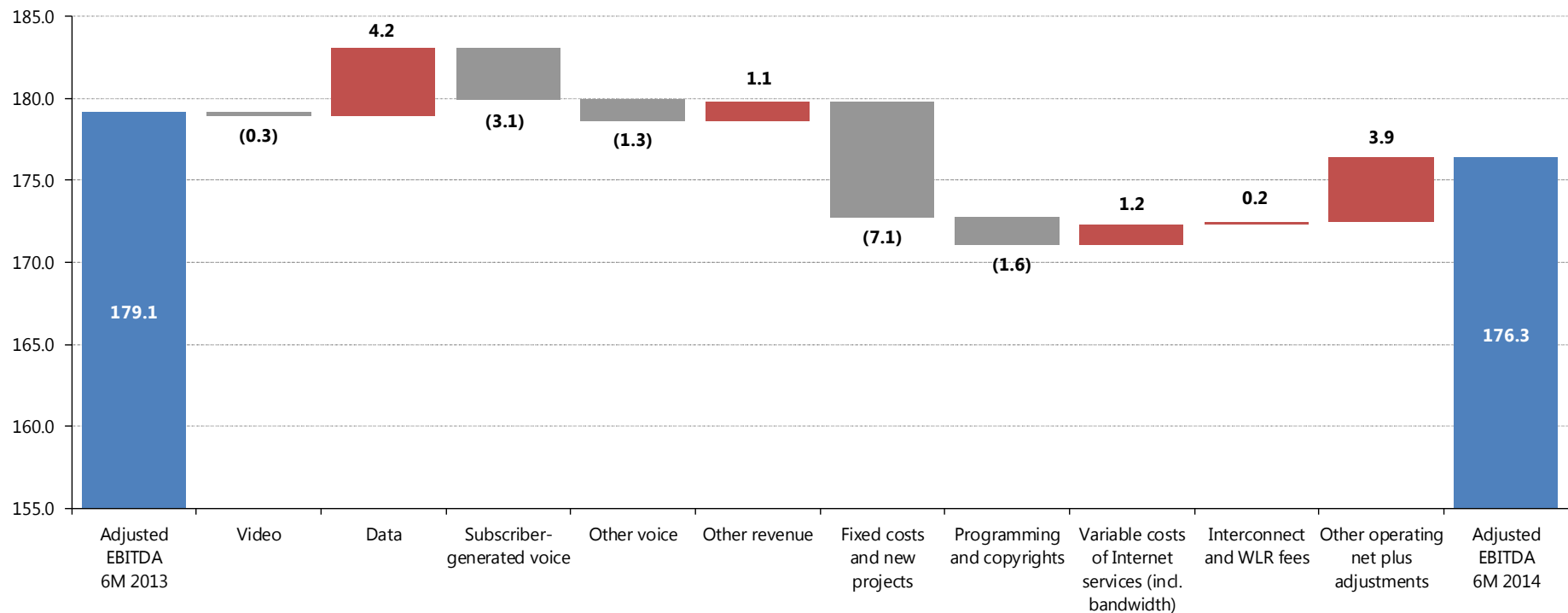
Revenues (PLN '000)	6M 2013	6M 2014	% change
analogue TV	68 235	59 962	-12%
digital TV	91 428	100 630	10%
premium channels	14 285	12 949	-9%
interactive TV	22	177	-
internet	105 800	109 952	4%
telephony	58 890	54 501	-7%
other revenues	12 033	13 170	9%
<b>Total Revenues</b>	<b>350 693</b>	<b>351 342</b>	<b>0%</b>

Expenses (PLN '000)	6M 2013	6M 2014	% change
programming and copyrights	53 938	55 551	3%
variable costs of Internet services (incl. bandwidth)	5 670	4 498	-21%
interconnect and WLR fees	9 212	9 045	-2%
new projects		4	-
network maintenance	30 045	30 625	2%
subscriber costs	4 415	4 428	0%
sales and marketing	16 806	22 020	31%
personnel costs	38 535	36 375	-6%
general management	23 274	26 718	15%
<b>Total Expenses</b>	<b>181 895</b>	<b>189 265</b>	<b>4%</b>

- Our digital TV revenues grow on the back of migrations of analogue customers to digital TV
- The broadband segment is developing as expected while the voice segment is shrinking slightly
- We manage to post stable revenues despite the recent unfavourable changes in our immediate market environment
- Our sales and marketing costs were driven by campaigns accompanying the introduction of new products, home monitoring and mobile broadband
- The rise in general management expenses was attributable to IPO advisory costs as well as other advisory costs related to tax optimizations
- Personnel costs were down as in H1 2014 we did not have a management share incentive programme that totalled PLN 6.2m in H1 2013, although we did pay out IPO related bonuses totalling PLN 3.5m

# EBITDA Bridge\*

Adjusted EBITDA bridge 6M'13 - 6M'14  
(PLNm)



(\* ) Adjusted: operating profit plus depreciation and amortization less one-off non-cash items

# Income Statement Year-on-Year

Income Statement (PLN '000)	6M 2013	6M 2014	% change
Revenues	350 693	351 342	0%
Expenses (excl. D&A)	181 895	189 265	4%
Adjusted EBITDA	179 143	176 335	-2%
<i>margin</i>	<i>51.1%</i>	<i>50.2%</i>	-
Operating profit	65 850	65 726	0%
Net interest	(62 334)	(30 827)	-51%
Profit before tax	3 516	34 900	893%
Income tax	5 233	10 777	106%
Profit for the year	(1 717)	24 123	-

- Please note that our H1 2013 net income was adversely impacted by high finance costs (one-off bond-related fees totalling c. PLN30m) and the cost of our share incentive programme (PLN6.2m)
- Back in H1 2013 we also had a higher effective tax rate on our gross profit due to changes in deferred tax that were connected with some differences between the carrying value and the tax value of our non-current assets, loans and borrowings and debt securities issued by us
- In H1 2014, all our refinancing efforts had been completed and there was no negative impact from high net interest or any additional refinancing costs
- Apart from the impact of the recent changes in our market environment on our revenues for the past several quarters, our H1 2014 results were also impacted by higher expenses connected with our attempted IPO

# Balance Sheet & CAPEX

CAPEX (PLN '000)	Q1 2014	Q2 2014	H1 2014
growth	34 000	38 800	72 800
maintenance	11 400	9 100	20 500
other*	(4 400)	(2 500)	(6 900)
acquisitions	22 900		22 900
<b>Total CAPEX</b>	<b>63 900</b>	<b>45 400</b>	<b>109 300</b>

- We spent ca. PLN 109.3m on capital expenditure in H1 2014
- Our H1 2014 growth CAPEX accounted for 84% of total organic CAPEX
- Our acquisition CAPEX in Q1 2014 was attributable to the acquisition of Teletronik
- Please note we have amended our presentation of CAPEX as from Q4'13

Balance Sheet (PLN '000)	31-12-13	30-06-14	% change
Assets			
non-current	1 408 629	1 395 878	-1%
current	226 081	213 475	-6%
incl. cash & equivalents	102 403	85 937	-
<b>Total assets</b>	<b>1 634 710</b>	<b>1 609 353</b>	<b>-2%</b>
Equity	213 322	166 722	-22%
Liabilities			
non-current	1 188 072	1 189 016	0%
current	233 315	253 614	9%
<b>Total equity &amp; liabilities</b>	<b>1 634 710</b>	<b>1 609 353</b>	<b>-2%</b>

(\*) Other capex involves reconciliation of investment expenditures and fixed assets, and change in investment liabilities

# Multimedia Polska S.A.



## Recent Events and Outlook

On 28 May 2014, we **withdrew from the public offering** and cancelled our plans to debut on the Warsaw Stock Exchange due to receiving an unsatisfactory number of applications during the book-building process. Our mid-term strategy is to **focus on M&A activities**

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As announced earlier, the early repurchase of **the 146 series MMP0617 bonds** with the total nominal value of PLN 1,460,000 was made on 6 June 2014. We have thus concluded the early repurchase of all bonds issued in 2010-12

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On 26 June 2014, the AGM resolved to allocate **PLN 70.7m** of MMP's 2013 profit to **dividend payment**, subject to financial covenants. The record day was 26 June 2014 and the dividend payment day will be 10 October 2014

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In January 2014, we launched our MVNO service and added **6,700 mobile telephony RGUs** as at the end of June 2014. We are now also offering the service with subscriber terminals (mobile phones)

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In January 2014, we launched our **online home monitoring** services (DomoWizja). We expanded this service in May 2014 by adding an additional feature allowing our subscribers to record video content on external servers

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We also launched **retail sales of electricity**. We already have several thousand customers of the service as of today



# Upcoming Events

- Publication of financial statements for Q3 2014

26 November 2014

## Contact us

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[www.multimedia.pl/investor](http://www.multimedia.pl/investor)