

Multimedia Polska Group

2017 fourth quarter and FY results



9 March 2018

Disclaimer

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2017 Highlights

EBITDA

- Our FY 2017 EBITDA* was PLN 334.9 and decreased slightly by 1.9% year on year
- Our FY 2017 EBITDA margin was 49.4%

Customers and RGUs

- Our total RGUs reached 1,746,600 at the end of December 2017; up 3.2% year on year
- In the telecom business, we added 79,800 video RGUs and lost 8,400 broadband RGUs and 9,000 telephony RGUs year on year
- We also lost 7,800 other RGUs (comprising insurance and home monitoring) year on year
- Our RGU/customer ratio was 2.32, up from 2.16 at the end of December 2016

Important Note

Please note that our business no longer involves the sale of energy and gas i.e. the business conducted by Multimedia Polska Energia Sp. z o.o.

Multimedia Polska Energia was sold to a company unrelated to the Multimedia Group on 21 July 2017; hence, those operations are only recognized up until that date under 'discontinued operations'.

The sale of our insurance business was effected in December 2017.

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

Fourth Quarter 2017 Highlights

We gained 14,500 net RGUs*, including

telecom services

- addition of 16,200 video RGUs
- disconnection of 1,900 broadband RGUs
- addition of 700 voice RGUs

other services

- disconnection of 400 other RGUs

We had 752,700 customers

- 319,900 single play customers
- 314,100 double play customers
- 118,700 multi play** customers

RGU*/ customer rate

2.29 in Q3 2017

2.32 in Q4 2017

Blended ARPU per customer

PLN 68.9 in Q3 2017

PLN 69.3 in Q4 2017

(*) RGUs comprise telecom RGUs and other RGUs (including home monitoring and insurance services)

(**) Multi play customers take up three or more services

Note: Mathematical inaccuracies, if any, stem from approximation

RGU Growth Highlights

Quarter-on-quarter ('000)	Q3 2017	Q4 2017	% change	new adds
video	932	948	2%	16
data	531	529	0%	(2)
voice	257	258	0%	1
other	13	12	-3%	(.4)
Total	1 732	1 747	1%	15

Year-on-year ('000)	Q4 2016	Q4 2017	% change	new adds
video	868	948	9%	80
data	537	529	-2%	(8)
voice	267	258	-3%	(9)
other	20	12	-39%	(8)
Total	1 692	1 747	3%	55

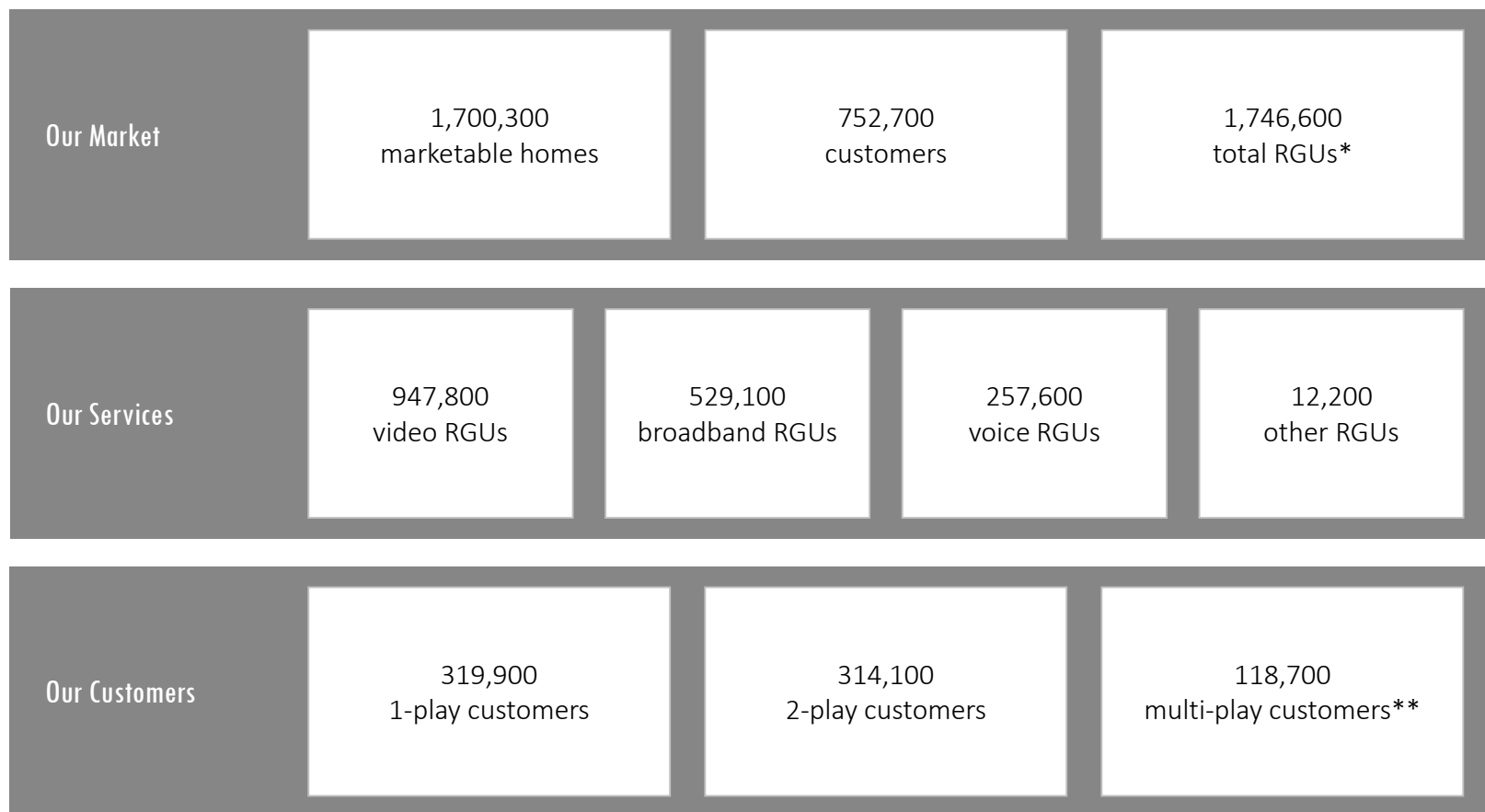
- We continue to post total RGU growth both year on year and quarter on quarter.
- The growth in total RGUs year on year was attributable to growth in the video segment. In the broadband segment, we continue to face strong competitive pressure from LTE providers. In the voice segment, the business continues to shrink.
- Please note that other RGUs no longer involve energy and gas services. The energy and gas business was sold in July 2017. For the last time we report insurance RGUs as the business was sold in December 2017.

Multimedia Polska Group



Business Review

Our Customer Base — 31 December 2017



(*) Includes telecom RGUs and other RGUs

(**) Multi play customers take up three or more services

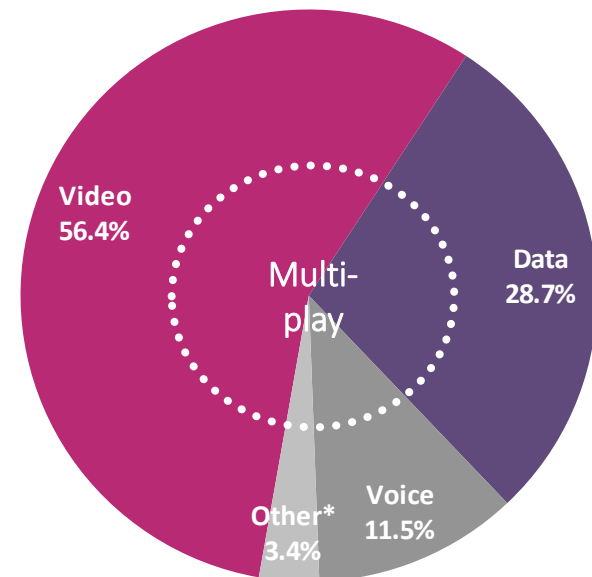
Note: Mathematical inaccuracies, if any, stem from approximation

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, premium channels, VoD, PC streaming, interactive TV)
 - Internet (broadband, broadband DSL, Wi-Max, mobile)
 - Telephony (VoIP, PSTN, mobile, WLR, value-added services)
- Our new services involve home monitoring and insurance services

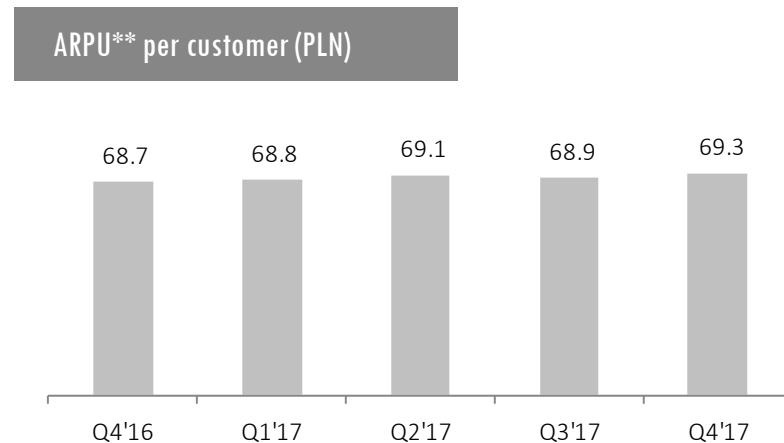
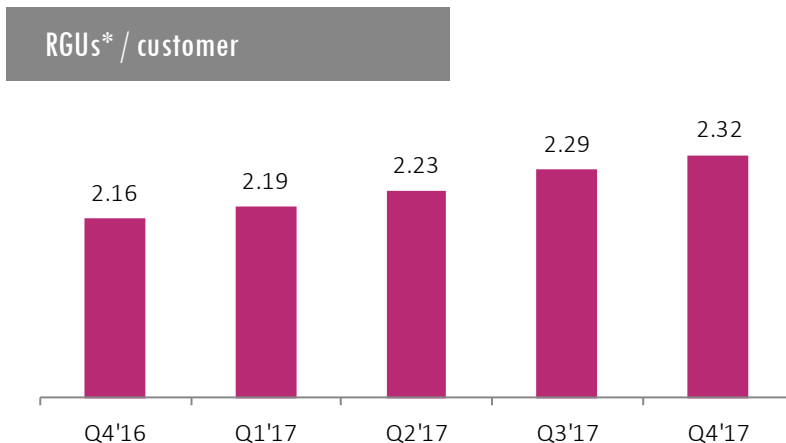
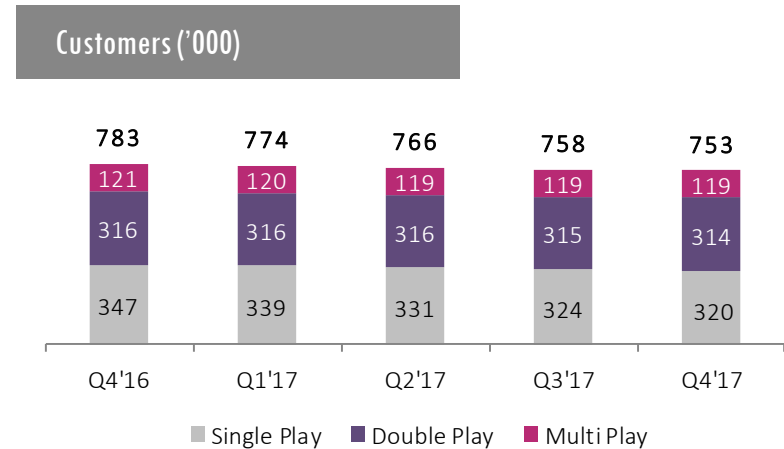
FY 2017 revenue breakdown



(*) Other revenues include lease income, licence fees, revenue from production of programming, other subscriber-generated and interoperator revenues, and revenues from our new services

Customers and ARPU

- The decrease in customers in Q4'17 is attributable to a steep decline in single play customers, primarily fixed-line voice subscribers and single play video subscribers
- RGU* per customer ratio was up from 2.29 in Q3'17 to 2.32 in Q4'17
- ARPU per customer remains high and stable
- Please note that due to exclusion of energy and gas services from our customer base, the data presented on this slide is not comparable to data provided in our presentations up until Q3'16

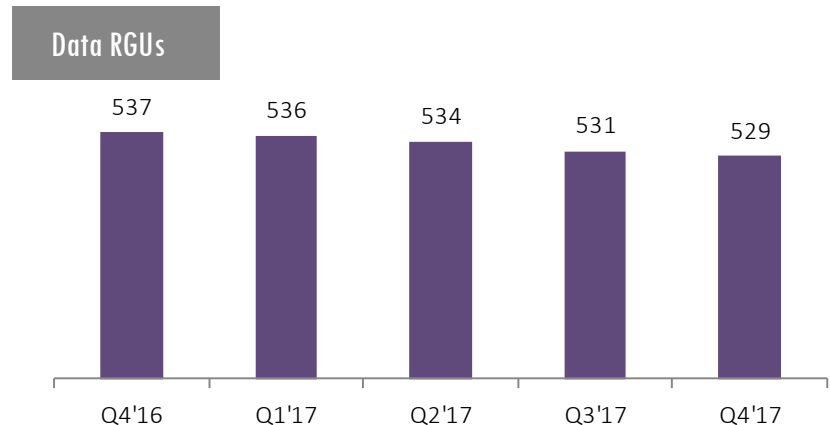
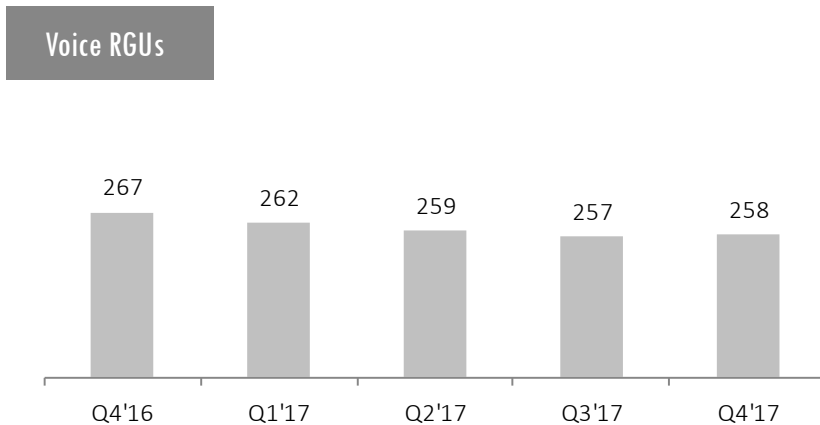
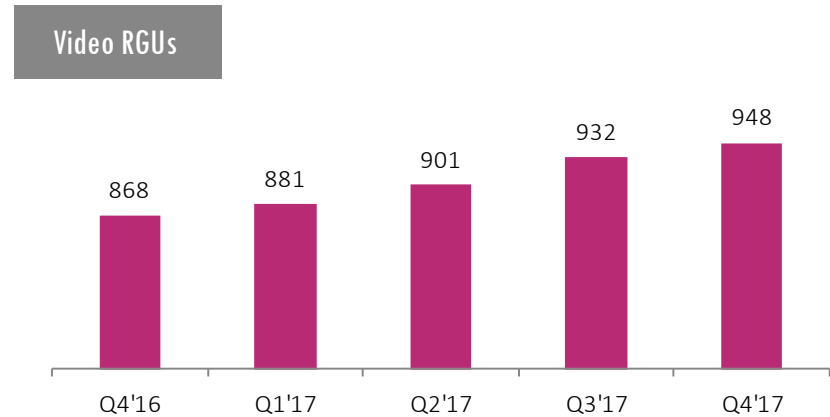


(*) Include telecom RGUs and other RGUs

(**) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related

Growth of RGU Base

- Our video RGUs are back on a steady upward trend
- In the broadband segment, slight decline continues as we face strong pressure from LTE offerings
- Fixed-line voice RGUs decline quarter on quarter. We capture some of the churning customers with our MVNO offering
- Our other services (home monitoring and insurance services) are not illustrated here

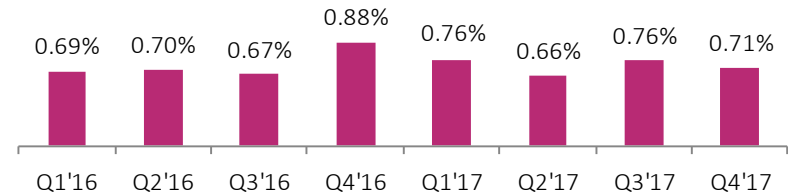


All data in thousands

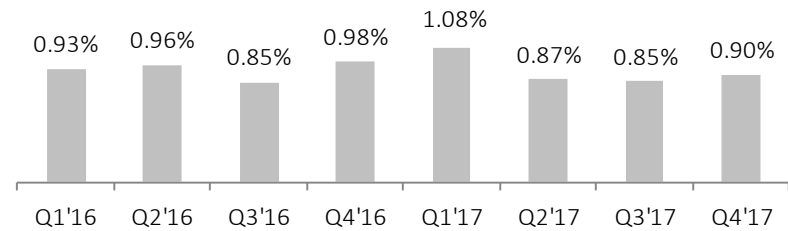
Churn

- 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. We also believe that promoting multi-play will allow us to continue to keep the churn rates under control
- Please note that data and voice churn rates illustrated here exclude mobile services. We manage to capture some customers churning from fixed-line services with our own mobile offering

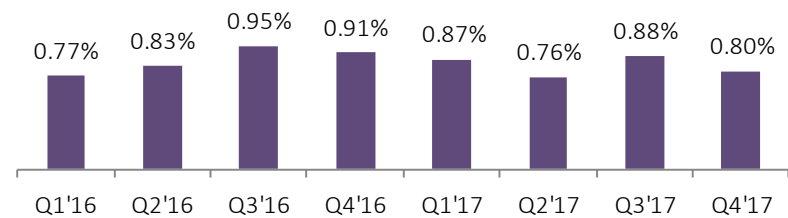
Video



Voice



Data



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

Monthly average in a given quarter

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Financial Review

Revenue Structure Quarterly

Revenues (PLN '000)	Q4 2016	Q3 2017	Q4 2017	y-o-y % change	q-o-q % change
video	90 454	96 680	100 020	11%	3%
internet	55 399	46 802	43 352	-22%	-7%
telephony	22 073	18 561	18 269	-17%	-2%
other revenues	8 419	4 856	6 565	-22%	35%
Total Revenues	176 346	166 899	168 206	-5%	1%

- Our revenues year on year and quarter on quarter have been impacted by the sale process that started back in November 2015 and was announced in October 2016
- We continue to strive to post growth, as evidenced in Q4'17, as we are obliged and committed to selling a growing business insomuch as possible in our current market position
- Please note that our other revenues, and as a result total revenues, no longer include revenues from energy and gas sales

Operating Expenses Quarterly

Expenses (PLN '000)	Q4 2016	Q3 2017	Q4 2017	y-o-y % change	q-o-q % change
cost of services sold	56 900	42 537	47 835	-16%	12%
network maintenance	16 947	14 409	14 785	-13%	3%
subscriber costs	1 936	2 262	1 721	-11%	-24%
sales and marketing	1 914	1 716	1 629	-15%	-5%
personnel costs	17 328	19 983	16 578	-4%	-17%
general management	12 300	15 913	12 061	-2%	-24%
Total Expenses	107 324	96 821	94 610	-12%	-2%

- We managed to reduce most cost categories quarter on quarter
- The largest increase quarter on quarter was in cost of services sold
- Cost of services sold rose quarter on quarter due to higher programming costs, particularly for our premium channels
- Year on year all our cost categories were successfully reduced; the considerable drop in cost of services sold was attributable to arrangements with organizations for collective management of copyrights that we made in 2016 and 2017. We also managed to renegotiate the cost of bandwidth for our broadband services

Income Statement Quarterly

Income Statement (PLN '000)	Q4 2016	Q3 2017	Q4 2017	y-o-y % change	q-o-q % change
Revenues	176 346	166 899	168 206	-5%	1%
Expenses (excl. D&A)	107 324	96 821	94 610	-12%	-2%
Adjusted EBITDA	83 310	79 294	81 994	-2%	3%
<i>margin</i>	47.2%	47.5%	48.7%	-	-
Operating profit	15 831	14 271	18 364	16%	29%
Net interest	(18 532)	(15 480)	(14 851)	-20%	-4%
Profit (loss) before tax	(2 701)	(1 209)	3 514	-230%	-391%
Income tax	1 567	697	25 792	1546%	3600%
Profit (loss) from cont'd operations	(4 268)	(1 906)	(22 278)	422%	-1069%

- Our Adjusted EBITDA increased quarter on quarter (by PLN2.7m), which was connected with a rise in revenues and concurrent decrease in expenses in Q4'17
- The loss from continued operations (excluding operations connected with energy and gas) in Q4'17 is primarily the result of high income tax. The level of income tax was connected with recognition of costs that are not deductible for tax purposes on a permanent basis, i.e. primarily fees and interest on debt incurred to carry out our share buy-back programme. Also, as a result of management assessment of planned combination of selected subsidiaries of the Group, a deferred tax asset recognized on trademark in previous years was written down by PLN13.9m

Revenue Structure and Operating Expenses

Year-on-Year

Revenues (PLN '000)	FY 2016	FY 2017	% change
video	363 488	382 679	5%
internet	223 757	194 875	-13%
telephony	91 752	78 035	-15%
other revenues	20 231	22 799	13%
Total Revenues	699 228	678 389	-3%

Expenses (PLN '000)	FY 2016	FY 2017	% change
cost of services sold	178 405	174 663	-2%
network maintenance	62 644	58 656	-6%
subscriber costs	7 218	8 664	20%
sales and marketing	10 065	6 594	-34%
personnel costs	73 202	68 851	-6%
general management	48 454	52 638	9%
Total Expenses	379 987	370 066	-3%

- Our video revenues increased by PLN19.2m year on year thanks to organic growth and continued migration of analogue customers to digital TV
- The broadband segment dropped by PLN28.9m primarily due to very strong pressure from LTE offerings and changes to our promotional policies in 2017
- There was also a decline in telephony revenues as expected in the current market environment
- Personnel costs dropped due to the sale of the energy business and the resultant decline in headcount. Also those costs were relatively high in 2016 due to payment of restructuring bonuses
- Network maintenance declined on the back of link lease cost optimisations
- The cost of services sold decreased primarily thanks to arrangements with organizations for collective management of copyrights made in 2016-17 and optimisation of bandwidth costs for broadband
- S&M expenses declined due to much lower spend on marketing campaigns in 2017
- GM costs were up mainly due to advisory service charges
- Subscriber costs increased due to higher number of paper customer invoices and higher costs of postal services

Income Statement Year-on-Year

Income Statement (PLN '000)	FY 2016	FY 2017	% change
Revenues	699 228	678 389	-3%
Expenses (excl. D&A)	379 987	370 066	-3%
Adjusted EBITDA	341 268	334 876	-2%
<i>margin</i>	<i>48.8%</i>	<i>49.4%</i>	-
Operating profit	110 153	92 392	-16%
Net interest	(67 457)	(62 973)	-7%
Profit before tax	42 697	29 419	-31%
Income tax	21 203	42 772	102%
Profit from continued operations	21 494	(13 352)	-162%

- Our Adjusted EBITDA declined by 2% year on year while our Adjusted EBITDA margin improved slightly
- We had a loss from continued operations primarily due to high level of income tax. The level of income tax was connected with recognition of costs that are not deductible for tax purposes on a permanent basis, i.e. primarily fees and interest on debt incurred to carry out our share buy-back programme, and write-down of the tax asset on trademark recognized in previous years (write-down of PLN13.9m)
- At the same time, we had a profit on discontinued operations of PLN11.5m; hence, our total loss for the period was PLN1.8m

CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
growth	20 500	39 600	34 200	50 700	145 000
maintenance	15 100	19 800	18 100	21 000	74 000
other*	9 100	3 700	3 800	(21 700)	(5 100)
acquisitions					
Total CAPEX	44 700	63 100	56 100	50 000	213 900

Balance Sheet (PLN '000)	31-12-16	31-12-17	% change
Assets			
non-current	1 312 187	1 266 414	-3%
current	351 549	199 437	-43%
incl. cash & equivalents	166 414	80 948	-51%
Assets—discontinued operations	46 069	-	-100%
Total assets	1 709 805	1 465 850	-14%
Equity	200 856	189 527	-6%
Liabilities			
non-current	998 677	747 732	-25%
current	490 412	528 591	8%
Liabilities—discontinued operations	19 860	-	-100%
Total equity & liabilities	1 709 805	1 465 850	-14%

- We spent c. PLN213.9m on capital expenditure in 2017
- Our 2017 growth CAPEX accounted for c. 68% of total organic CAPEX
- The assets and liabilities connected with discontinued operations are attributable to the energy and gas business of Multimedia Polska Energia Sp. z o.o. that was concluded in October 2017

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

Multimedia Polska Group



Recent Events and Outlook

Recent Events

On 18 October 2016, our shareholders entered into a preliminary Share Purchase Agreement with UPC Polska Sp. z o.o. to sell 100% shares in the Company. The agreement is conditional upon concentration consent from UOKiK (Polish antimonopoly authority). The proceedings at UOKiK commenced on 25 November 2016 and were prolonged to 5 months on 3 January 2017 (plus any time required to respond to the Regulator's requests for information). The proceedings are still ongoing.

As the transaction does not envisage the sale of the energy and gas business, those operations run by Multimedia Polska Sp. z o.o. have been presented in the financial statements as discontinued operations and recognised in the books up until the sale of the business, which was finalized on 21 July 2017. The sale of the insurance business was concluded on 14 December 2017.

On 10 May 2017, we repaid the first instalment of our Bonds (25% original nominal value) as per the repayment schedule. Following the repayment, the nominal value of each Bond is PLN 75.000. All other rights attached to the Bonds remain unchanged.

On 6 March 2018, we signed a mandate letter with Credit Agricole CIB and Credit Agricole Bank Polska S.A. pursuant to which the banks are authorised to organize financing for the Company, including early repayment of series MMP004100520 bonds.

Upcoming Events

Publication of Q1 2018 report

15 May 2018

Publication of extended H1 2018 report

29 August 2018

Publication of Q3 2018 report

14 November 2018

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