Multimedia Polska S.A.

2013 fourth quarter and FY results

multimedia Polska

28 February 2014

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FY2013 Highlights

1

EBITDA

- Our FY2013 EBITDA* was PLN 335.5m and increased by ca. 1.2% year-on-year
- We continue to enjoy high EBITDA margin of 50.8%

2

Subscribers and RGUs

- Our RGUs at the end of 2013 reached 1,535,700 and were at the same level as the year before
- We added ca. 45,600 digital TV subscribers, ca. 22,500 broadband, and ca. 5,300 telephony subscribers year-on-year
- Our RGU/unique customer ratio was 1.86

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 previously. 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

Fourth Quarter 2013 Highlights

- **We added 1,900 net RGUs, including**
  - addition of 8,000 broadband RGUs
  - loss of 5,800 video RGUs*, and
  - loss of 300 voice RGUs
- **We had 826,000 unique customers**
  - 406,100 single play subscribers
  - 293,100 double play subscribers
  - 126,800 triple play subscribers
- **RGU/subscriber rate**
  - 1.86 in Q3 2013
  - 1.86 in Q4 2013
- **Blended ARPU per subscriber**
  - PLN 67.39 in Q3 2013
  - PLN 68.12 in Q4 2013
- **Blended ARPU per RGU**
  - PLN 35.09 in Q3 2013
  - PLN 35.20 in Q4 2013

(*) The drop in video RGU is connected with two factors described below: analogue switch-off in Poland and changes to our up-sell and cross-sell policies

RGU Growth Highlights

Quarter-on-quarter ('000)	Q3 2013	Q4 2013	% change	new adds
video	757	751	-1%	(6)
voice	285	285	0%	(.3)
data	492	500	2%	8
Total	**1 534**	**1 536**	**0%**	**2**

Year-on-year ('000)	Q4 2012	Q4 2013	% change	new adds
video	777	751	-3%	(26)
voice	285	285	0%	(.1)
data	478	500	5%	23
Total	**1 540**	**1 536**	**0%**	**(4)**

- Our 2013 results were impacted by Poland's nationwide digital television transition (analogue switch-off) most intense between February and June 2013. According to market researchers*, cable players lost around 4.4 percent of subscribers to DTT while DTH players lost around 6 percent. Our losses were slightly lower than those quoted for cable players in general, nevertheless they were significant. We had negative growth in Q1-Q2'13 as a result but managed to reverse the negative trend in Q3-Q4'13, when we posted growing RGU numbers again in line with historical trends.
- We have also amended our up- and cross-sell policies so that the sale of new services does not have a strong adverse impact on ARPU generated on the services already subscribed for. As expected, this strategy resulted in lower RGU run rates (drop in premium channels and mobile broadband RGUs) but allowed us to protect our margins across our customer base, positively contributing to our overall profitability.
- 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.

(*) Nielsen – see: DVB-T wywołało przepływ klientów płatnej tv, 11 Sept 2013, [http://www.rp.pl/artykul/1046715.html]

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Business Review

Our Subscriber Base — 31 December 2013

Our Market	**1,520,600 marketable homes**	**826,000 unique subscribers**	**1,535,700 total RGUs**
Our Services	**750,900 video RGUs***	**500,100 broadband RGUs**	**284,700 voice RGUs****
Multiplay	**406,100 1-play subscribers**	**293,100 2-play subscribers**	**126,800 3-play subscribers**

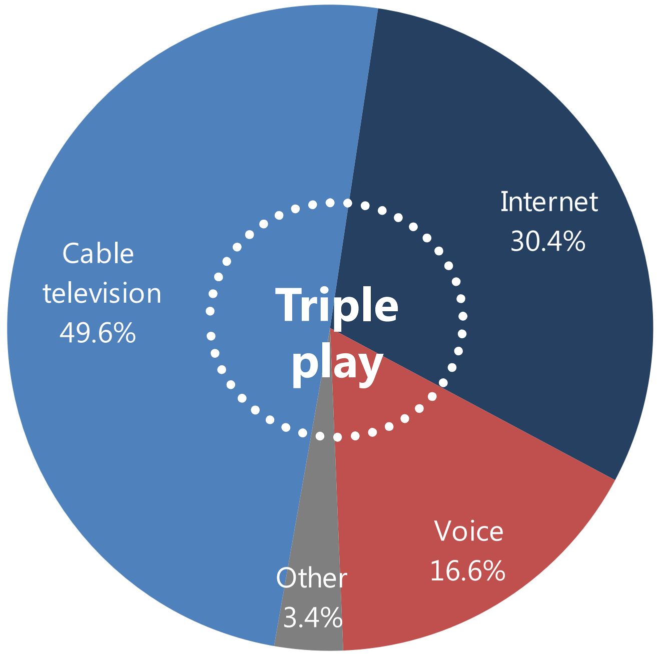
(*) Include 83,300 premium channel RGUs, 15,800 IPTV RGUs and 301,900 DTV RGUs (incl. nDTV)
(**) Include 18,000 indirect voice RGUs and approximately 400 payphones

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
- As at December 2013, our products comprised primarily:
  - TV (analogue TV, IPTV, DTV and nDTV, premium channels, VoD, PC streaming, interactive TV)
  - Internet (broadband, broadband DSL, Wi-Fi, Wi-Max, mobile)
  - Telephony (VoIP, PSTN – also digital, hybrid WiFi/GSM mobile service, NDS/CPS, value-added services)
- We have already achieved our target revenue structure and continue to expand each segment

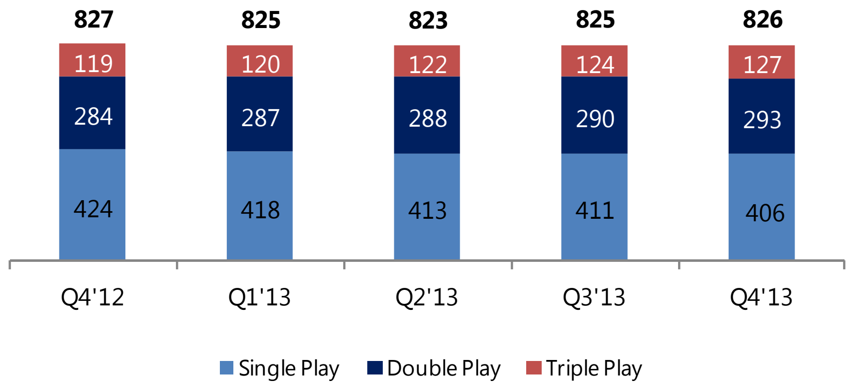
FY 2013 revenue breakdown



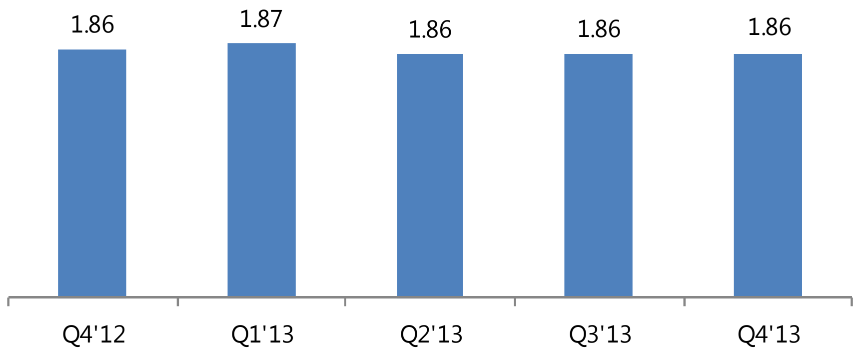
Subscribers and ARPU

- The rise in unique customers in Q4’13 was connected a wave of come-backs from DTT to cable services as expected
- The rise in ARPU per unique customer in Q4’13 is related to the success of our interim pricing policy that we introduced at the start of 2013 and the gradual migration of subscribers from analogue to digital TV
- RGU per unique customer was stable at 1.86 in Q3’13 and Q4’13

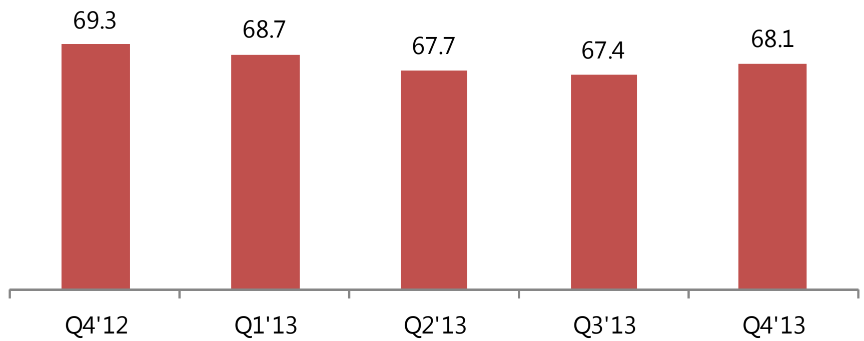
Unique customers ('000)



RGUs / unique customer



ARPU per unique customer (PLN)

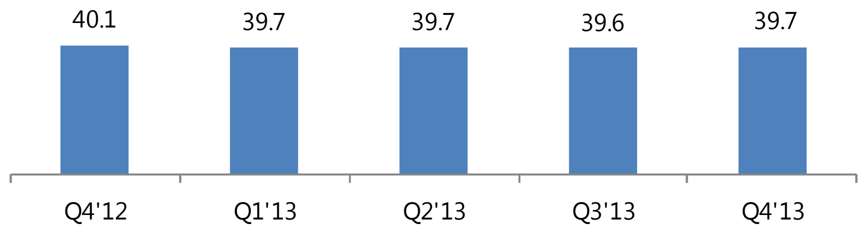


ARPU per RGU—video services

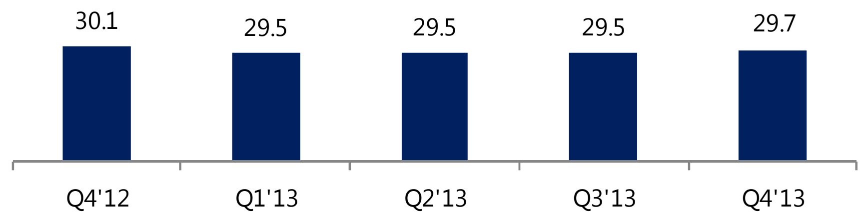
- As announced previously, we have adjusted our RGU reporting as from Q4'13. We have provided comparable statistics according to our previous and current methodology in Schedule no. 1 to our Directors' Report for FY2013. This change to some extent affected ARPU on analogue and digital TV
- Another factor impacting ARPU in 2013 are the interim rates that we introduced in January. We believe that after some immediate negative impact, this policy is already bringing higher ARPU (blended video) as announced in our guidance previously
- We expect the upward trend in blended video ARPU to continue going forward also on the back of migration of analogue TV subscribers to digital TV
- In 2012, we decided to incentivize some analogue customer groups to migrate to DTV to free up bandwidth capacities for high speed broadband (up to 250 Mb/s) hence the temporary decline in ARPU from digital TV

Note: ARPU figures are affected by Poland's nationwide analogue switch-off in 2013

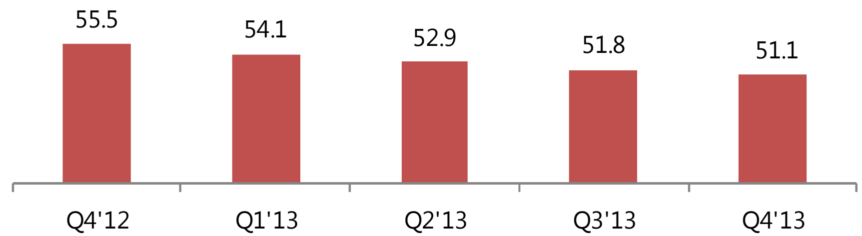
Video - blended



Analogue TV



Digital TV

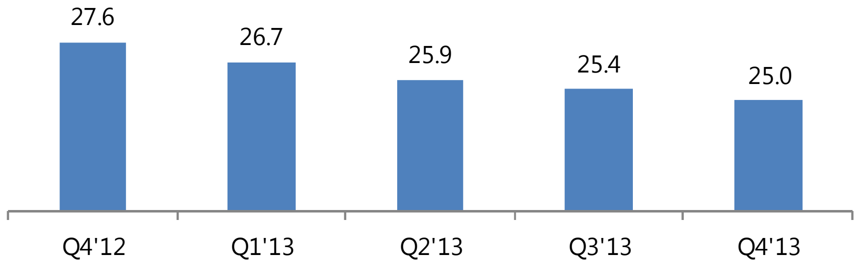


All data in PLN

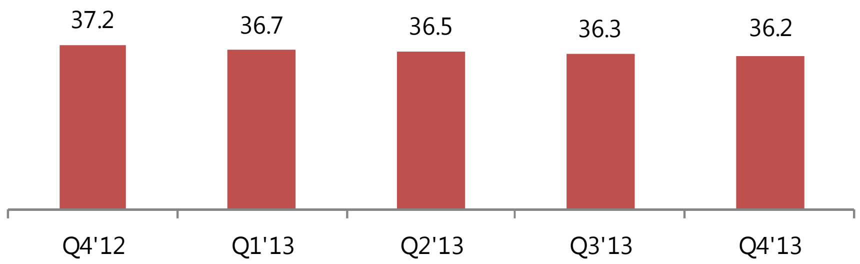
ARPU per RGU—voice and data

- **VoIP**: Although ARPU on the service decreased further in Q4'13, positive 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 new offer of high speed broadband has been welcomed by our customers and will allow us to further grow ARPU in the mid-term perspective
- Another factor impacting ARPU in 2013 are the interim rates that we introduced in January. We believe that after some immediate negative impact, this policy is already bringing higher ARPU (blended) as announced in our guidance previously

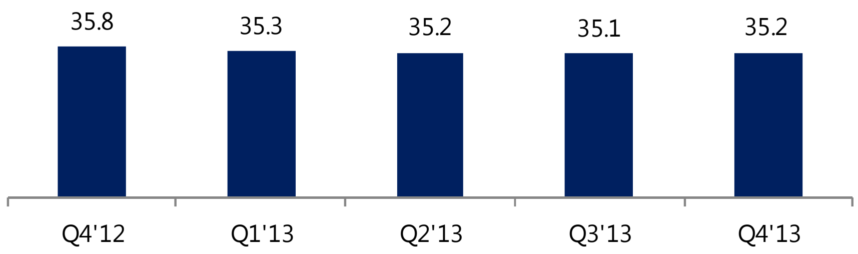
Voice



Data



All Services Blended



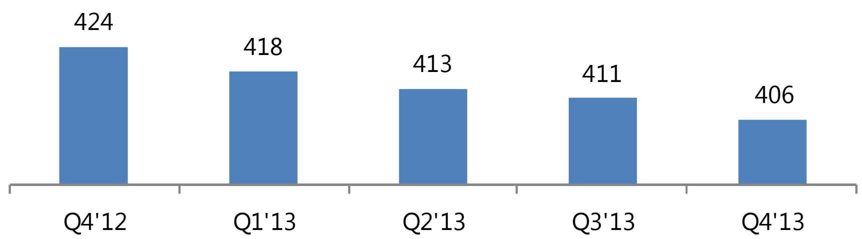
Note: Data ARPU including mobile broadband

All data in PLN

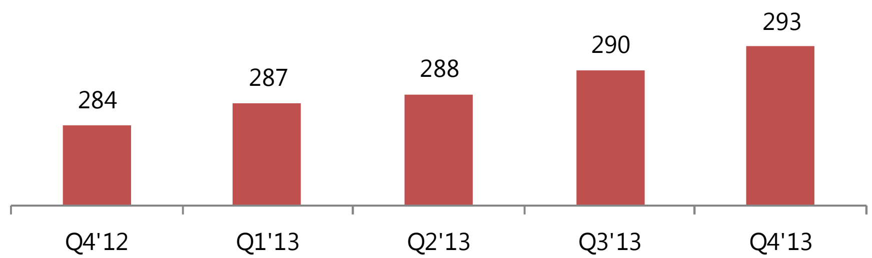
Customer Base Structure

- 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

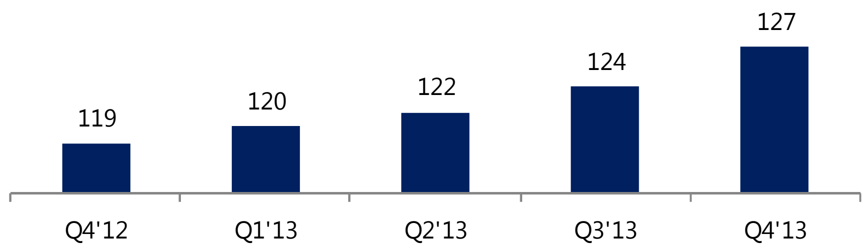
Single Play



Double Play



Triple Play

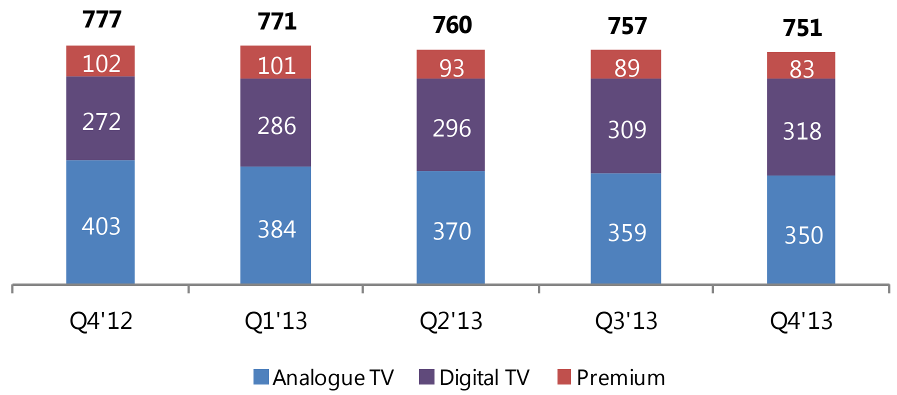


All data in thousands

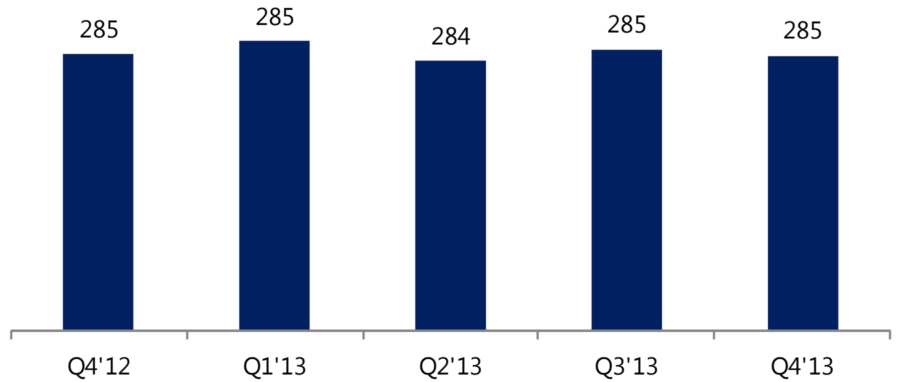
Growth of Customer Base

- The decrease in video RGUs in 2013 was connected with some migrations of customers to Digital Terrestrial Television (DTT). We are already seeing a wave of come-backs from DTT to cable services
- It was further attributable to the change of our up-sell and cross-sell policies that translated into a drop in premium channel RGUs
- Please note that in line with our earlier guidance, we have now adjusted our RGU reporting approach and are reporting all digital TV subscribers as single RGUs (no longer as an add-on to analogue TV)

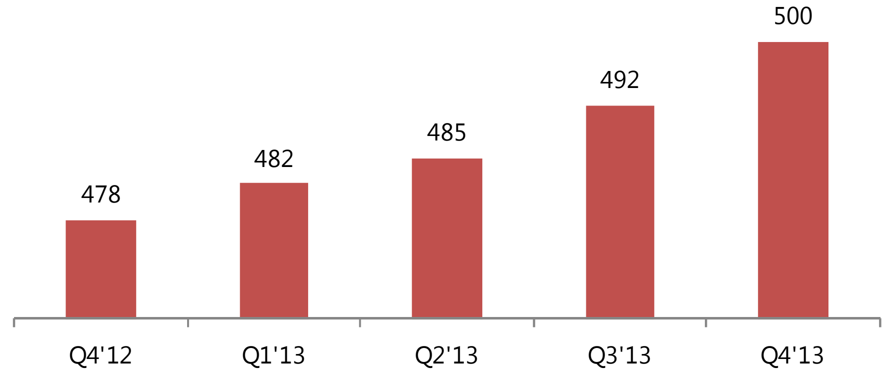
Video RGUs



Voice RGUs



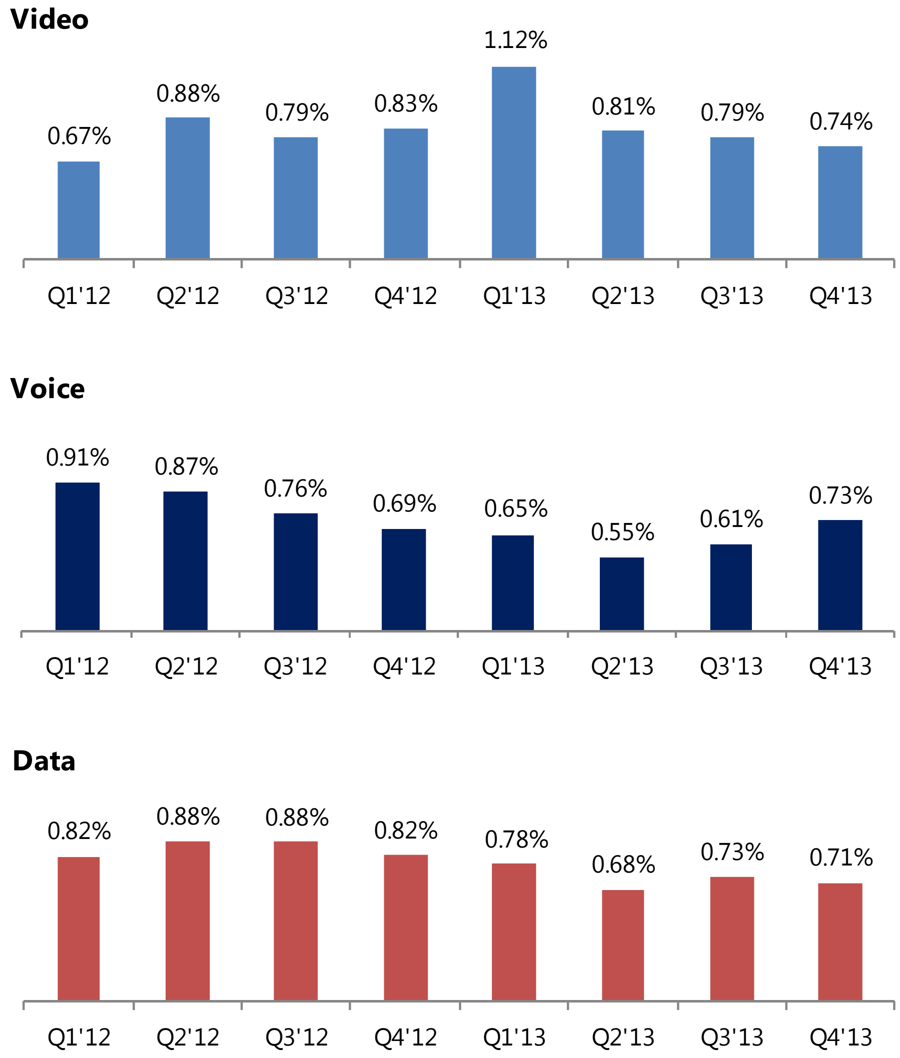
Data RGUs



All data in thousands

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 exiting promotional offerings to stop them from churning



Monthly average in a given quarter

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

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Financial Review

Revenue Structure Quarterly

Revenues (PLN '000)	Q4 2012	Q3 2013	Q4 2013	y-o-y % change	q-o-q % change
analogue TV	36 965	32 308	31 607	-14%	-2%
digital TV	44 091	46 998	47 998	9%	2%
premium channels	6 679	6 773	6 556	-2%	-3%
interactive TV		14	568	-	-
internet	52 741	53 182	53 806	2%	1%
telephony	30 924	28 555	28 344	-8%	-1%
other revenues	6 763	5 215	6 625	-2%	27%
Total Revenues	**178 163**	**173 047**	**175 504**	**-1%**	**1%**

- The year-on-year drop in total revenues is related to the nationwide switch-over to digital terrestrial television (DTT) in Poland. We estimate that as a result of this process, among other things, the number of our analogue TV RGUs decreased by approximately 28,000 and digital TV RGUs decreased by approximately 10,500 in the first half of 2013 compared to 2012 year-end.
- The quarter-on-quarter rise in total revenues is the result of some come-backs from users of DTT to cable services and also a confirmation of the success of our interim pricing policy. The combined impact of DTT and interim pricing entailed a -2% drop in revenues in Q2'13, -0.4% in Q3'13 and growth of 1% in Q4'13. Another factor contributing to our revenue growth was the change in our up-sell and cross-sell policies
- Digital TV revenues continue to grow in line with customer migrations from analogue to digital TV as well as new RGU additions
- There is a temporary stabilization in broadband revenues quarter-on-quarter due to our interim pricing strategy and less push to sell mobile broadband services that generate lower margins
- Other revenues increased quarter-on-quarter on the back of higher proceeds from advertising and marketing

Operating Expenses Quarterly

Expenses (PLN '000)	Q4 2012	Q3 2013	Q4 2013	y-o-y % change	q-o-q % change
programming and copyrights	26 872	32 677	25 855	-4%	-21%
variable costs of Internet services (incl. bandwidth)	3 342	2 173	2 381	-29%	10%
interconnect and WLR fees	5 731	4 395	4 322	-25%	-2%
network maintenance	13 957	14 678	14 694	5%	0%
subscriber costs	1 902	1 905	1 840	-3%	-3%
sales and marketing	7 955	9 676	10 017	26%	4%
personnel costs	16 898	14 742	16 217	-4%	10%
general management	9 914	10 776	10 979	11%	2%
Total Expenses	**86 571**	**91 024**	**86 304**	**0%**	**-5%**

- Quarter on quarter, our overall costs dropped by 5% primarily on the back of a decrease in programming & copyright expenses
- The decrease in programming & copyright expenses was primarily connected with the settlement we made with the Polish Filmmakers Association which affected copyright expenses in Q3'13
- The increase in personnel costs was related to a lower portion of those costs being qualified as capitalized headcount costs connected with capital expenditures
- 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

Income Statement Quarterly

Income Statement (PLN '000)	Q4 2012	Q3 2013	Q4 2013	y-o-y % change	q-o-q % change
Revenues	178 163	173 047	175 504	-1%	1%
Expenses (excl. D&A)	86 571	91 024	86 304	0%	-5%
Adjusted EBITDA	92 515	86 936	89 402	-3%	3%
margin	*51.9%*	*50.2%*	*50.9%*	-	-
Operating profit	33 021	33 671	44 936	36%	33%
Net interest	(16 710)	(21 896)	(17 809)	7%	-19%
Profit before tax	16 311	11 776	27 127	66%	130%
Income tax	3 868	(12 701)	(20 837)	-	-
Profit for the year	12 444	24 476	47 964	285%	96%

- The quarter-on-quarter rise in total revenues is related to the success of our interim pricing policy discussed above and the change of our up-sell and cross-sell policies. We expect this trend to continue going forward
- Our adjusted EBITDA was up quarter-on-quarter thanks to higher generated revenues and lower expenses (drop of 5% quarter-on-quarter)
- Our operating profit increased as a result of transactions on fixed assets and reorganization of our Group, which also translated into negative income tax

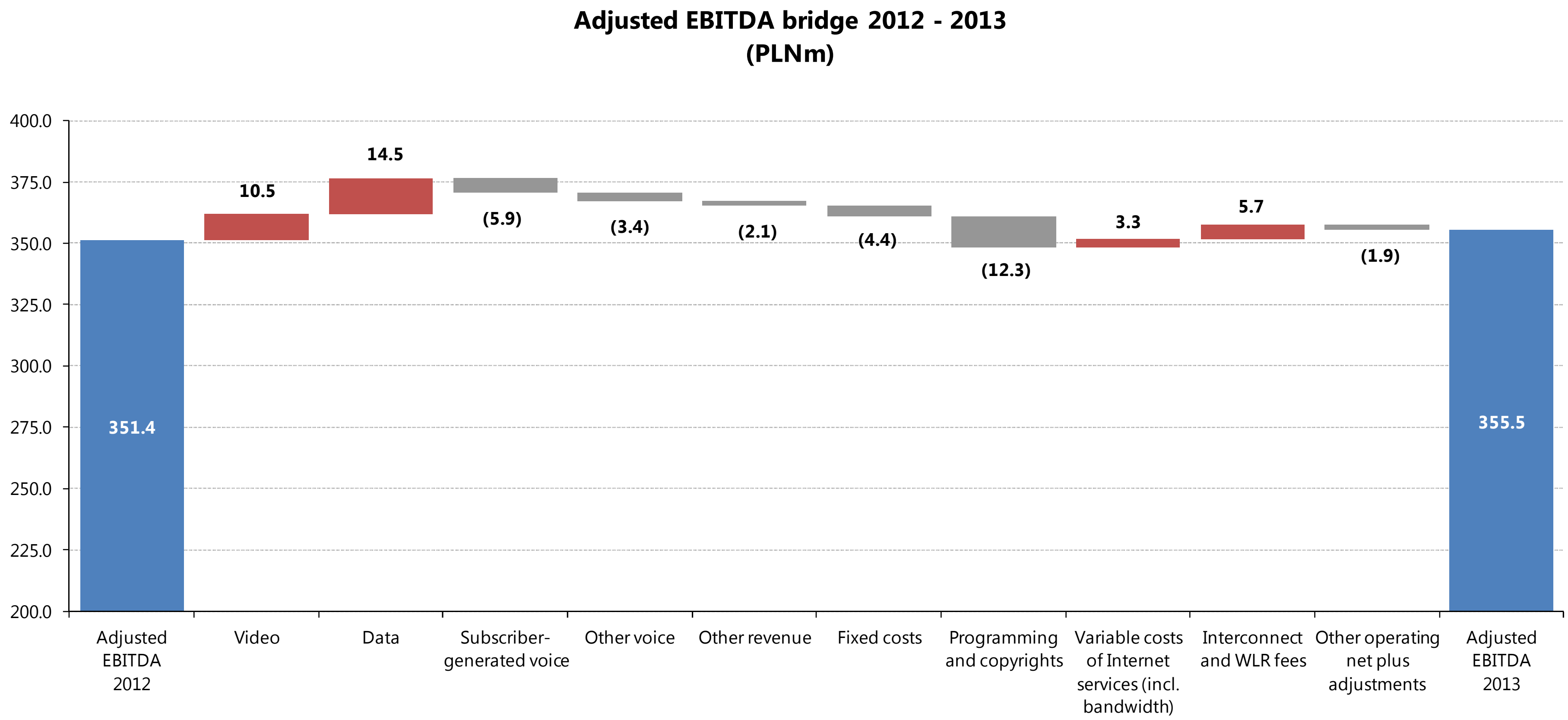
Revenue Structure and Operating Expenses Year-on-Year

Revenues (PLN '000)	FY 2012	FY 2013	% change
analogue TV	153 444	132 150	-14%
digital TV	159 379	186 423	17%
premium channels	23 434	27 615	18%
interactive TV		604	-
internet	198 242	212 788	7%
telephony	125 095	115 789	-7%
other revenues	25 926	23 874	-8%
Total Revenues	**685 520**	**699 244**	**2%**

Expenses (PLN '000)	FY 2012	FY 2013	% change
programming and copyrights	100 194	112 470	12%
variable costs of Internet services (incl. bandwidth)	13 494	10 224	-24%
interconnect and WLR fees	23 586	17 930	-24%
network maintenance	57 201	59 418	4%
subscriber costs	8 510	8 161	-4%
sales and marketing	30 509	36 499	20%
personnel costs	67 753	69 493	3%
general management	50 228	45 029	-10%
Total Expenses	**351 475**	**359 223**	**2%**

- 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
- Our programming & copyright costs went up due to migrations of analogue customers to digital TV, and the settlement with the PFA
- Sales and marketing costs were driven by a new bonus and commission policy in connection with the change of our up-sell and cross-sell policies and higher marketing spend on campaigns accompanying the introduction of high-speed broadband
- Interconnect costs fell as a result of a lower traffic and lower rates for call termination services
- The drop in general management expenses was connected with the fact that we accounted for the costs of our strategic audit in 2012 and those costs did not occur in 2013

EBITDA Bridge*



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

Income Statement Year-on-Year

Income Statement (PLN '000)	FY 2012	FY 2013	% change
Revenues	685 520	699 244	2%
Expenses (excl. D&A)	351 475	359 223	2%
Adjusted EBITDA	351 375	355 480	1%
margin	*51.3%*	*50.8%*	-
Operating profit	133 244	144 458	8%
Net interest	(62 833)	(102 039)	62%
Profit before tax	70 465	42 418	-40%
Income tax	21 431	(28 305)	-
Profit for the year	49 034	70 723	44%

- Apart from the operating factors described above, our profit for the year was adversely impacted by high finance costs, involving one-off fees of c. PLN32m connected with debt refinancing
- We also had negative income tax due to reorganization carried out within the Group

Balance Sheet & CAPEX

Balance Sheet (PLN '000)	31-12-12	31-12-13	% change
Assets			
non-current	1 366 669	1 408 629	3%
current	113 327	226 081	99%
incl. cash & equivalents	4 876	102 403	-
Total assets	**1 479 995**	**1 634 710**	**10%**
Equity	275 264	213 322	-23%
Liabilities			
non-current	824 819	1 188 072	44%
current	379 912	233 315	-39%
Total equity & liabilities	**1 479 995**	**1 634 710**	**10%**

- We spent ca. PLN 189.8m on capital expenditure in 2013
- Our 2013 growth CAPEX accounted for 73% of total organic CAPEX
- Our acquisition CAPEX in 2013 was attributable to the acquisition of Teletronik, as well as networks from Interkom and Sferia
- Please note we have amended our presentation of CAPEX as from Q4'13

CAPEX (PLN '000)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	FY 2013
growth	29 200	34 700	42 700	24 200	130 800
maintenance	10 700	13 500	11 700	8 400	44 300
other*	5 400	(7 900)	3 700	2 400	3 600
acquisitions	1 000	9 300		900	11 200
Total CAPEX	**46 300**	**49 600**	**58 100**	**35 900**	**189 900**

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

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Recent Events and Outlook

Recent Events

In the first half of 2013, we expanded our OTT service (mmtv.pl) onto **tablets and smartphones**

In January 2014, we completed the first implementation stage of our **MVNO project** and began to market mobile telephony services under our own brand. We provide mobile telephony services using Polkomtel’s infrastructure

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Also in January 2014, we launched our **online home monitoring** services (DomoWizja)

Upcoming Events

Publication of financial statements for Q1 2014	14 May 2014
Publication of extended consolidated report for H1 2014	27 August 2014
Publication of financial statements for Q3 2014	26 November 2014

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