# Multimedia Polska Group

## 2015 first quarter results

13 May 2015

# 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.

# First Quarter 2015 Highlights

## EBITDA

- Our Q1 2015 EBITDA* was PLN 85.9m and decreased 8% year-on-year largely due to the appreciation of the US dollar in Q1’15
- We continue to enjoy high EBITDA margin of 49.1%

## Customers and RGUs

- Our total RGUs reached 1,621,600 at the end of March 2015; up 4.0% year-on-year
- In the telecom business, we added 28,300 video RGUs, 15,700 broadband RGUs, and 2,500 telephony RGUs year-on-year
- We also added 15,300 other RGUs (comprising all our new services**) year-on-year
- Our RGU/customer ratio was 1.99

## Comparability of data

- Please note that we have commenced reporting our non-core business RGUs, referred to as ‘other RGUs’ and we have changed the scope of our reporting as a result of the impact of new services on our overall business and the possible non-comparability of data (see slide 4). Our basic split is into telecom and other RGUs, and telecom RGUs comprise video, broadband and voice RGUs reported to date, while other RGUs comprise energy, home monitoring and insurance services.
- With respect to the financial statements, we reallocated some personnel costs, related directly to subscriber acquisition costs (SAC), also retrospectively, throughout the life of the product to which they pertain, in accordance with IFRS. This translated into a minor decline in costs in 2014; hence, there was some impact on our income statement (profit for the period) and balance sheet.

(*) Adjusted: operating profit plus depreciation and amortisation less one-off non-cash items
(**) New services comprise energy, home monitoring and insurance services

# Changes in Reporting

## Current market environment

- The current dynamics of the telecoms market show strong tendencies towards multi play—outside the typical telecoms bundle
- We continue to expand our business model by adding new services, such as energy, home monitoring and insurance

## Operating KPIs

- Our total RGU base is now split into telecom RGUs (reported to date) and other RGUs (comprising all our new services)
- The term 'unique subscribers' has been replaced with 'customers' to include users of new services which are not strictly subscription based
- The group of 'triple play' subscribers has been expanded to include customers who take up three or more services and is referred to as 'multi play'

## Measures taken to ensure accuracy going forward

- As we start to create bundles of services outside the scope of the typical triple play, we may be allocating discounts to particular services at our discretion. This could lead to gross misinterpretation of our results if each segment was to be analysed separately, particularly during a stronger push to sell a certain product or service or if the entire discount on the bundle was allocated to just one product in that bundle. Hence, we have removed some operating statistics reported to date (ARPU per RGU) due to possible non-comparability of segment-specific data, and we focus on other KPIs instead (ARPU per customer).
- In order to provide the most accurate data, in calculating ARPU per customer we disregard other revenues that are not strictly customer-related; hence, some minor differences may occur between ARPU per subscriber reported previously and ARPU per customer reported as from Q1'15 (and adjusted retrospectively in this presentation on slide 10).

# First Quarter 2015 Highlights

**We added 20,700 net RGUs*, including**

telecom services

- 6,200 video RGUs
- 1,800 broadband RGUs, and
- disconnected 400 voice RGUs

other services

- 13,100 other RGUs

**RGU*/ customer rate**

- 1.95 in Q4 2014
- 1.99 in Q1 2015

**We had 815,800 customers**

- 377,400 single play customers
- 306,800 double play customers
- 131,600 multi play** customers

**Blended ARPU*** per customer**

- PLN 66.3 in Q4 2014
- PLN 66.4 in Q1 2015

(*) RGUs comprise telecom RGUs and other RGUs (including energy, home monitoring and insurance services)
(**) Multi play customers take up three or more services
(***) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related (see slide 4)

# RGU Growth Highlights

| Quarter-on-quarter ('000) | Q4 2014 | Q1 2015 | % change | new adds |
|---|---|---|---|---|
| video | 780 | 786 | 1% | 6 |
| data | 527 | 529 | 0% | 2 |
| voice | 291 | 291 | 0% | - |
| other | 3 | 16 | - | 13 |
| Total | 1 601 | 1 622 | 1% | 21 |

| Year-on-year ('000) | Q1 2014 | Q1 2015 | % change | new adds |
|---|---|---|---|---|
| video | 758 | 786 | 4% | 28 |
| data | 513 | 529 | 3% | 16 |
| voice | 288 | 291 | 1% | 2 |
| other | 1 | 16 | - | 15 |
| Total | 1 560 | 1 622 | 4% | 62 |

- We are posting RGU growth both year-on-year and quarter-on-quarter. The growth in RGUs was attributable to growth in the video and data segments and the development of new services
- We are also seeing satisfactory growth of our mobile voice services, which allows us to post stable or slightly growing RGUs in the voice segment, contrary to market trends
- We made three small size acquisitions in Q1’15. Most of the acquired RGUs will be recognized from Q2’15

# Multimedia Polska Group

Business Review

# Our Customer Base — 31 March 2015

| | | | | |
|---|---|---|---|---|
| **Our Market** | 1,583,800 marketable homes | 815,800 customers | 1,621,600 total RGUs* | |
| **Our Services** | 786,200 video RGUs | 528,600 broadband RGUs | 290,900 voice RGUs | 15,900 other RGUs |
| **Our Customers** | 377,400 1-play customers | 306,800 2-play customers | 131,600 multi-play customers** | |

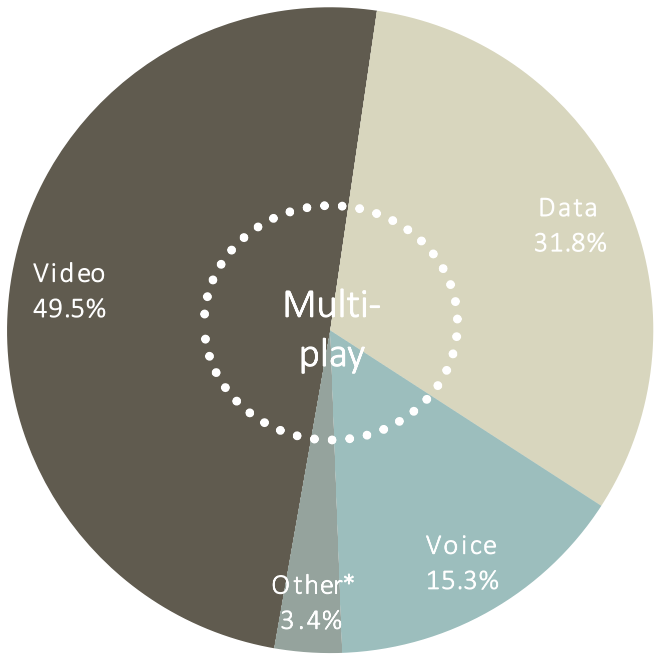
(*) Includes telecom RGUs and other RGUs
(**) Multi play customers take up three or more services

# 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)
- Our new services involve: retail sale of electricity, home monitoring, and insurance services

## Q1 2015 revenue breakdown

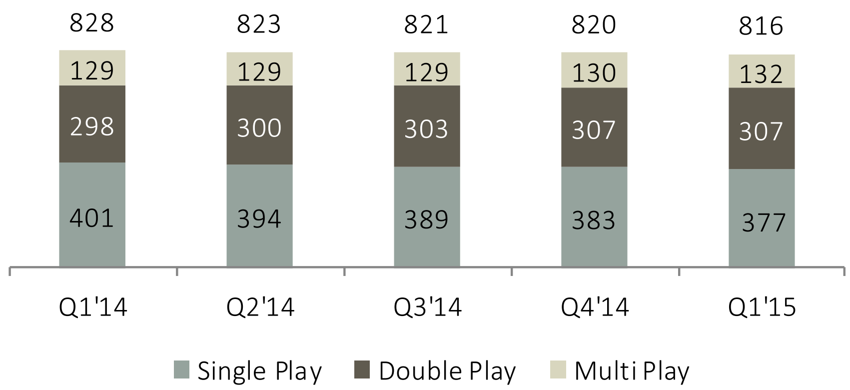



(*) Other revenues include lease income, licence fees, revenue from production of programming, other subscriber-generated and interoperator revenues, and revenues from our new services

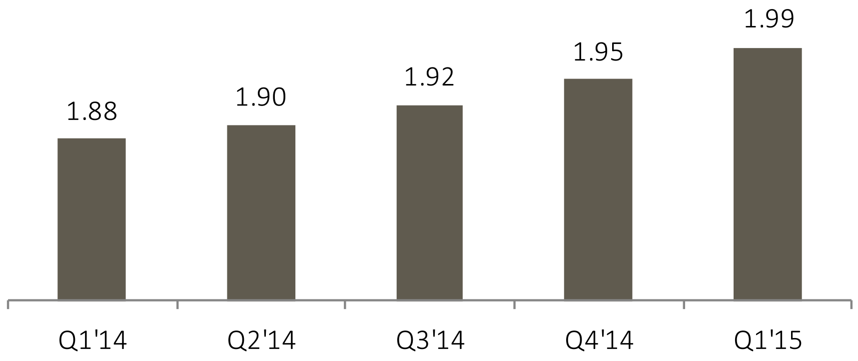
# Customers and ARPU

- The decline in customers in Q1’15 is attributable to some further migrations of mostly single-play customers to DTT as we actively encourage migration of low-tier analogue TV customers to DTV, which, if unsuccessful, results in some disconnections
- There are also some migrations of broadband customers to mobile providers aggressively promoting ‘no limit’ LTE services
- RGU* per customer ratio was up from 1.95 in Q4’14 to 1.99 in Q1’15

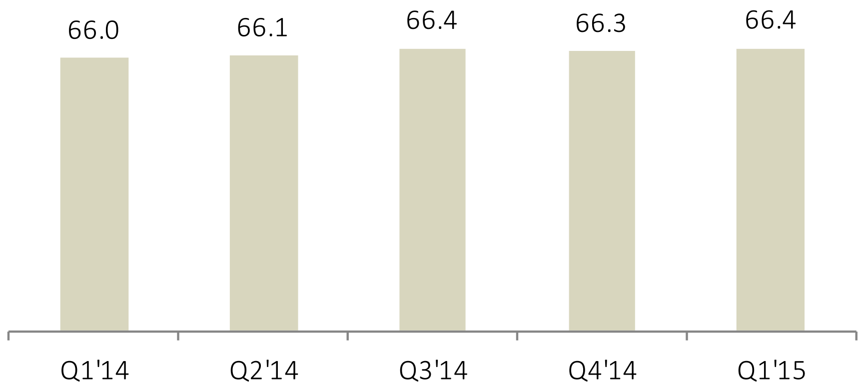
## Customers (’000)




## RGUs* / customer



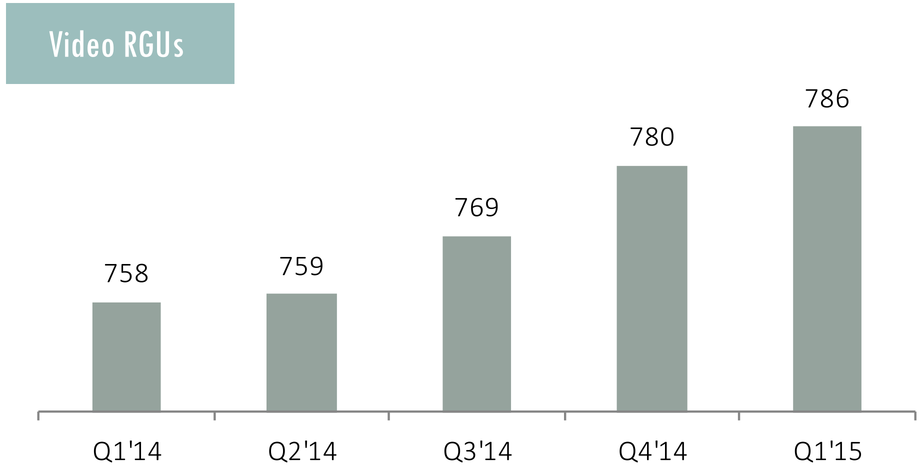

## ARPU** per customer (PLN)

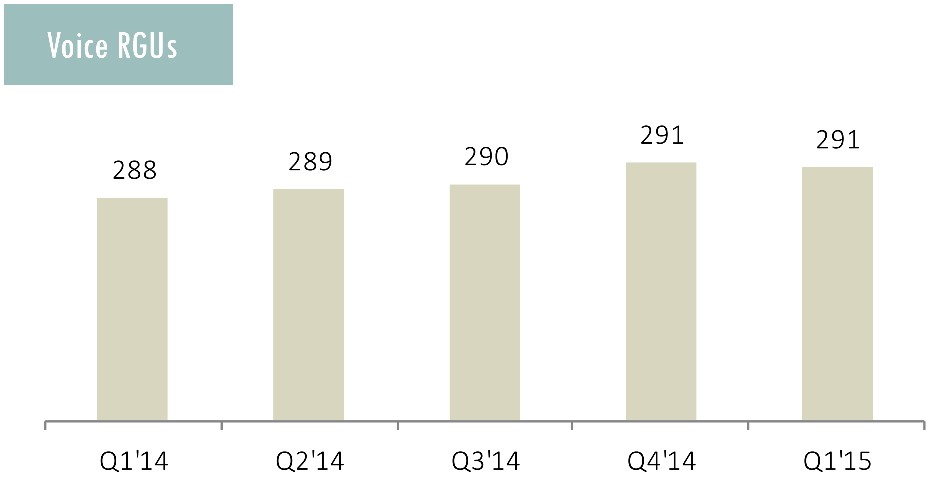


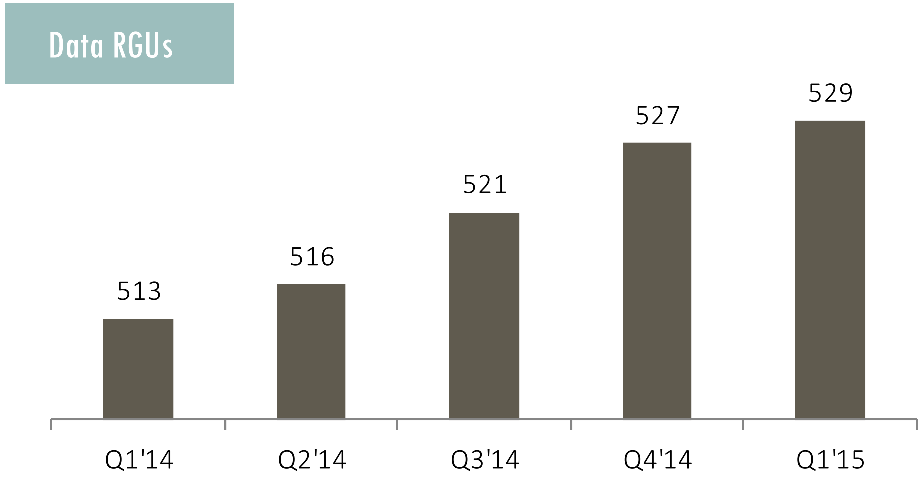

(*) Include telecom RGUs and other RGUs
(**) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related (see slide 4)

# Growth of RGU Base

- Our video RGUs are back on a steady upward trend, also generated by small size acquisitions
- We are seeing very good growth in the broadband segment
- Voice RGUs were stable quarter-on-quarter
- Our other services (comprising energy, home monitoring, and insurance services) have been well-received by the market and are developing at a satisfactory pace. Those other RGUs are not illustrated here as the services are still in the initial stage of development



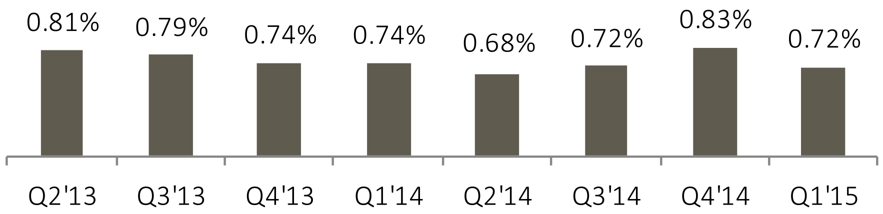




All data in thousands

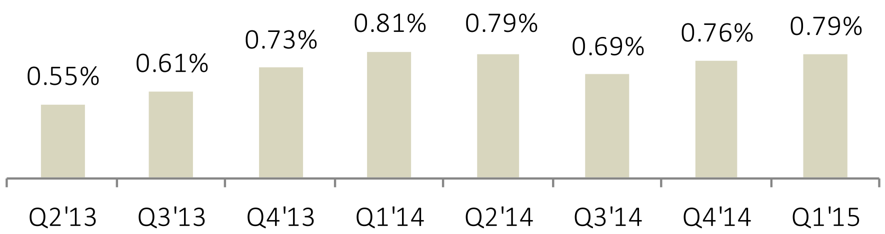
# Churn – under control due to service bundling

- 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
- We also believe that promoting multi-play will allow us to continue to keep the churn rates under control
- We had slightly higher churn in video services in Q4'14 due to changes to programming content (replacement of selected channels). The rate was back on track in Q1'15
- We continue to bundle our mobile voice offering (MVNO) with fixed-line voice services to prevent churn on voice services
- The churn rate on our data services is impacted by competitive pressure from mobile operators who continue to develop their offering of mobile broadband without data transfer limits

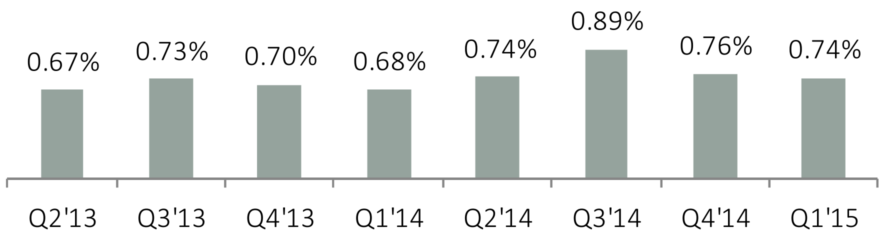
Video




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

# Multimedia Polska Group

Financial Review

# Revenue Structure Quarterly

| Revenues (PLN '000) | Q1 2014 | Q4 2014 | Q1 2015 | y-o-y % change | q-o-q % change |
|---|---|---|---|---|---|
| video | 86 815 | 86 944 | 86 626 | 0% | 0% |
| internet | 54 776 | 55 339 | 55 682 | 2% | 1% |
| telephony | 27 122 | 27 201 | 26 697 | -2% | -2% |
| other revenues | 7 012 | 9 835 | 5 884 | -16% | -40% |
| Total Revenues | 175 724 | 179 319 | 174 890 | 0% | -2% |

- Our revenues were stable year-on-year. Broadband internet continues to be the key driver of our sales
- The variation in other revenues is attributable to some non-linearity in recognition of revenues from infrastructure leases and commercials
- We strongly believe our revenues will increase in the coming quarters on the back of small acquisitions made in Q1’15 that will be recognized from Q2’15, the development of our new products, and also thanks to the positive impact of seasonality in the second half of the year

# Operating Expenses Quarterly

| Expenses (PLN '000) | Q1 2014 | Q4 2014 | Q1 2015 | y-o-y % change | q-o-q % change |
|---|---|---|---|---|---|
| cost of services sold | 34 021 | 38 810 | 39 060 | 15% | 1% |
| network maintenance | 15 111 | 14 539 | 14 712 | -3% | 1% |
| subscriber costs | 1 880 | 1 708 | 1 949 | 4% | 14% |
| sales and marketing | 8 266 | 7 968 | 7 270 | -12% | -9% |
| personnel costs | 15 154 | 13 648 | 19 528 | 29% | 43% |
| general management | 14 842 | 11 866 | 11 734 | -21% | -1% |
| Total Expenses | 89 273 | 88 540 | 94 253 | 6% | 6% |

- The cost of services sold comprises all items reported previously, i.e. programming and copyrights, variable costs of Internet services (incl. bandwidth), interconnect and WLR fees, and new projects
- In Q1’15 the cost of services sold was impacted by the appreciation of the US dollar (c. PLN 2m negative impact quarter-on-quarter)
- The largest rise was recorded in our personnel costs (PLN 5.9m) due to the allocation of personnel costs throughout product life in accordance with IFRS (see slide 16), the development of our new products (new hires), and additional remuneration for top management. Please note that our Q1’15 results are not fully comparable to Q1’14 in that respect as such additional remuneration was paid out in Q2’14 not Q1’14

# Income Statement Quarterly

| Income Statement (PLN '000) | Q1 2014 | Q4 2014 | Q1 2015 | y-o-y % change | q-o-q % change |
|---|---|---|---|---|---|
| Revenues | 175 724 | 179 319 | 174 890 | 0% | -2% |
| Expenses (excl. D&A) | 89 273 | 88 540 | 94 253 | 6% | 6% |
| Adjusted EBITDA | 93 484 | 92 797 | 85 854 | -8% | -7% |
| *margin* | *53.2%* | *51.7%* | *49.1%* | - | - |
| Operating profit | 36 167 | 45 155 | 32 204 | -11% | -29% |
| Net interest | (14 895) | (16 668) | (15 594) | 5% | -6% |
| Profit before tax | 21 272 | 28 487 | 16 610 | -22% | -42% |
| Income tax | 6 924 | 11 439 | 5 162 | - | -55% |
| Profit for the year | 14 348 | 17 048 | 11 448 | -20% | -33% |

- Our income statement data for 2014 has been restated. In Q1'15 we reallocated some personnel costs—related directly to subscriber acquisition costs (SAC)—throughout the life of the product to which they pertain in accordance with IFRS. This was also done retrospectively and translated into a minor decline in costs in 2014 and, consequently, there was some impact on our profit for the period. This change in accounting will continue going forward
- Our operating profit was negatively impacted by the appreciation of the US dollar in Q1'15 (c. PLN 2m) and one-off non-cash costs connected with transactions on fixed assets and previous years' costs (c. PLN 6m in aggregate)
- Financial income was much lower in Q1'15 than in the preceding quarters (down c. PLN 2m y/y) following the repayment of the high-interest Tri Media bond in Q4'14, which translated into lower net interest year-on-year
- We expect our income tax rate to decline in the coming quarters, even below the statutory rate, due to changes in the structure of our Group, and accounting for acquisitions that are underway

# CAPEX & Balance Sheet

| CAPEX (PLN '000) | Q1 2014 | Q4 2014 | Q1 2015 |
|---|---|---|---|
| growth | 34 000 | 33 900 | 17 300 |
| maintenance | 11 400 | 14 400 | 9 000 |
| other* | (4 400) | (6 300) | 10 600 |
| acquisitions | 22 900 | (4 800) | 2 800 |
| Total CAPEX | 63 900 | 37 200 | 39 700 |

- We spent c. PLN 39.7m on capital expenditure in Q1’15
- Our Q1’15 growth CAPEX accounted for c. 50% of total organic CAPEX
- Our acquisition CAPEX in Q1’15 was attributable to three small-sized acquisitions

| Balance Sheet (PLN '000) | 31-12-14 | 31-03-15 | % change |
|---|---|---|---|
| Assets | | | |
| non-current | 1 241 458 | 1 240 602 | 0% |
| current | 416 849 | 342 685 | -18% |
| incl. cash & equivalents | 200 262 | 118 789 | -41% |
| Total assets | 1 658 307 | 1 583 287 | -5% |
| Equity | 215 493 | 175 656 | -18% |
| Liabilities | | | |
| non-current | 1 199 098 | 1 248 419 | 4% |
| current | 243 717 | 159 213 | -35% |
| Total equity & liabilities | 1 658 307 | 1 583 287 | -5% |

- Our balance sheet data has been restated for 2014 year-end. We reallocated some personnel costs, related directly to subscriber acquisition costs (SAC), also retrospectively, throughout the life of the product to which they pertain, in accordance with IFRS. This impacted all items presented in the table as of 31 December 2014, except cash and equivalents.

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

# Multimedia Polska Group

Outlook

# Upcoming Events

| | |
|---|---|
| Publication of consolidated H1 2015 report | 26 August 2015 |
| Publication of Q3 2015 report | 11 November 2015 |

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