

Multimedia Polska Group

2015 third quarter results



12 November 2015

Disclaimer

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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 until Q4 2014) 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 until Q4 2014 (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 2015 (and adjusted retrospectively in this presentation on slide 10).

2015YTD Highlights

EBITDA

- Our 9M 2015 EBITDA* was PLN 248.8m and decreased 5% year-on-year largely due to the appreciation of the US dollar in 2015
- We continue to enjoy high EBITDA margin of 47.2%

Customers and RGUs

- Our total RGUs reached 1,651,000 at the end of September 2015; up 4.5% year-on-year
- In the telecom business, we added 33,700 video RGUs and 13,400 broadband RGUs, and lost 4,100 telephony RGUs year-on-year
- We also added 27,500 other RGUs (comprising all our new services**) year-on-year
- Our RGU/customer ratio was 2.02

Comparability of data

- Please note that as from Q1 2015 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 3). Our basic split is into telecom and other RGUs, and telecom RGUs comprise video, broadband and voice RGUs reported until Q4'14, 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

Third Quarter 2015 Highlights

We gained 11,800 net RGUs*, including

telecom services

- addition of 8,600 video RGUs
- disconnection of 1,200 broadband RGUs
- disconnection of 3,200 voice RGUs

other services

- addition of 7,600 other RGUs

We had 818,500 customers

- 378,000 single play customers
- 309,900 double play customers
- 130,600 multi play** customers

RGU*/ customer rate

- 1.99 in Q2 2015
- 2.02 in Q3 2015

Blended ARPU*** per customer

- PLN 66.4 in Q2 2015
- PLN 66.6 in Q3 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 3)

RGU Growth Highlights

Quarter-on-quarter ('000)	Q2 2015	Q3 2015	% change	new adds
video	794	802	1%	9
data	536	535	0%	(1)
voice	289	285	-1%	(3)
other	21	28	36%	8
Total	1 639	1 651	1%	12

Year-on-year ('000)	Q3 2014	Q3 2015	% change	new adds
video	769	802	4%	34
data	521	535	3%	13
voice	290	285	-1%	(4)
other	1	28	-	27
Total	1 580	1 651	4%	71

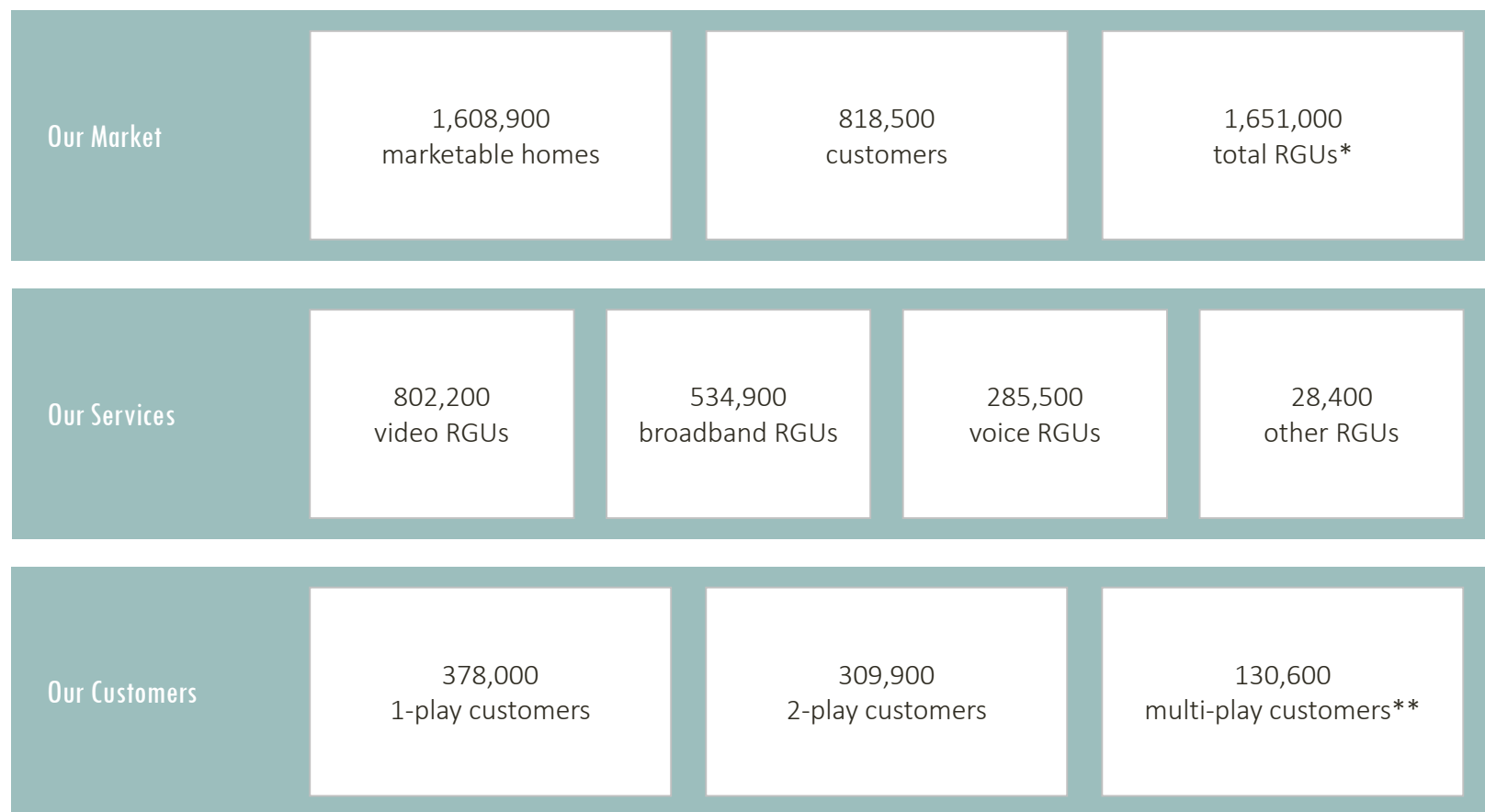
- We are posting RGU growth both year-on-year and quarter-on-quarter. The growth in RGUs year-on-year was attributable to acquisitions, growth in the video and data segments and the development of new services
- The decrease in our data RGUs quarter-on-quarter is connected with seasonality – disconnection of students leaving for holidays (July-Sept). We expect the usual uptake of those services again from October
- We made four small-size acquisitions in 9M'15. Most of the acquired RGUs were migrated during and towards the end of Q2'15

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Business Review

Our Customer Base — 30 September 2015



(*) Includes telecom RGUs and other RGUs

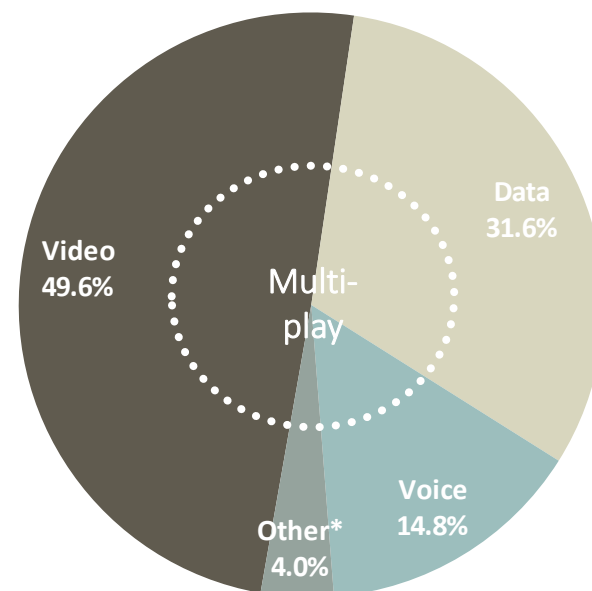
(**) Multi play customers take up three or more services

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

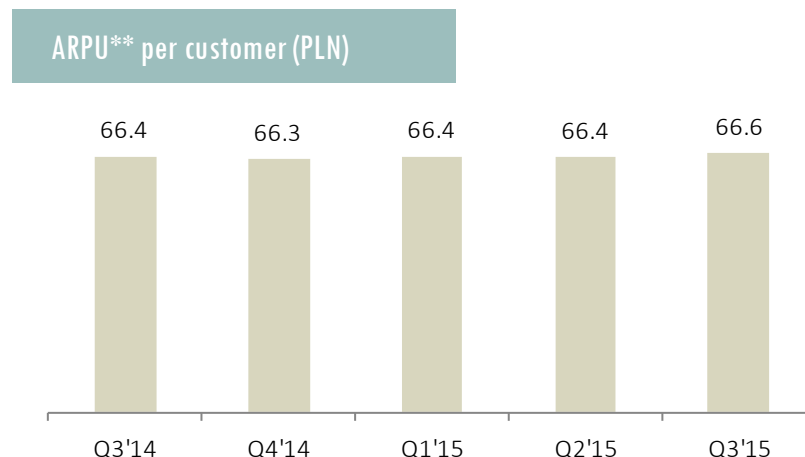
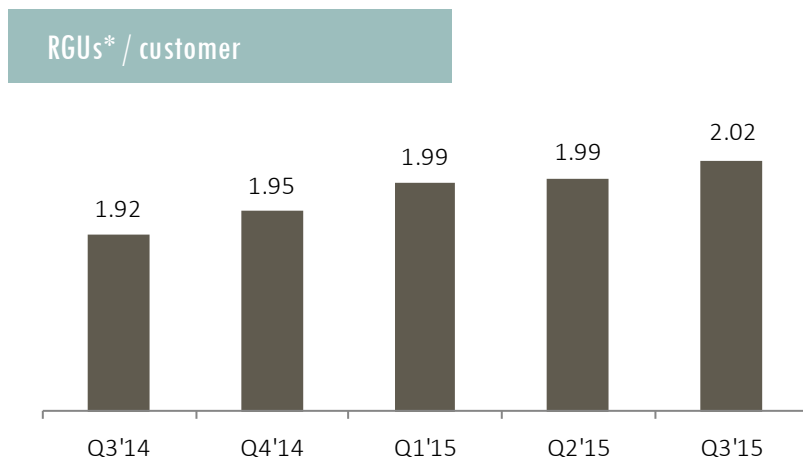
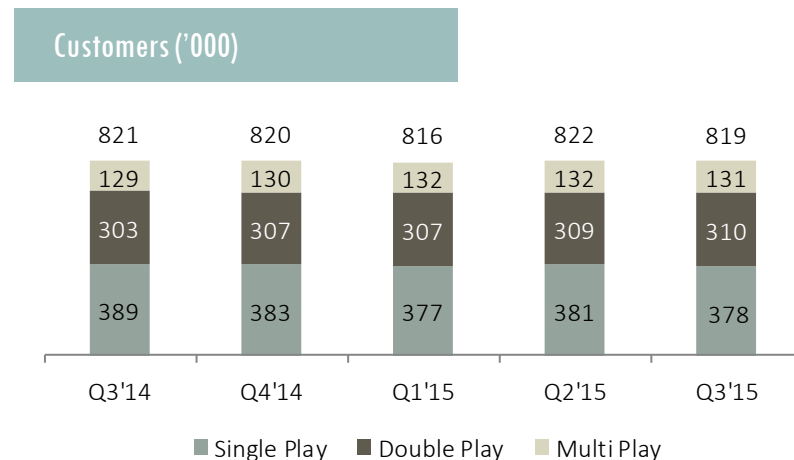
9M 2015 revenue breakdown



(*) 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 Q3'15 is mostly attributable to disconnection of some lower-tier ATV customers on the back of incentivised migration of ATV customers to DTV usually connected with slightly higher monthly fee
- The decrease is also connected with seasonality – disconnection of students leaving for holidays (July-Sept). We expect the usual uptake of those services again from October
- RGU* per customer ratio was up from 1.99 in Q2'15 to 2.02 in Q3'15
- ARPU per customer is on a slight rise thanks to digitalization of our subscriber base and upsell of new services to our customers



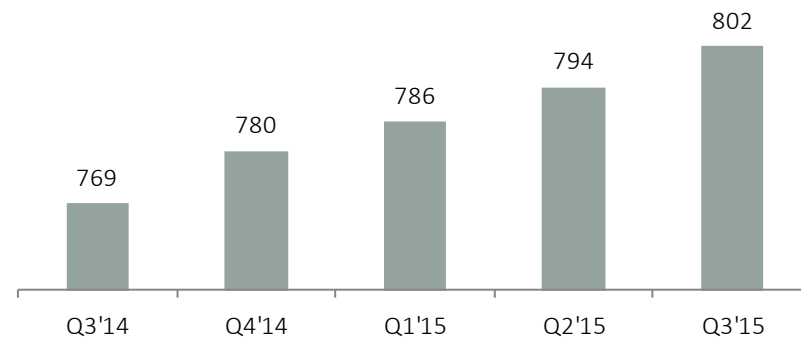
(*) Include telecom RGUs and other RGUs

(**) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related (see slide 3)

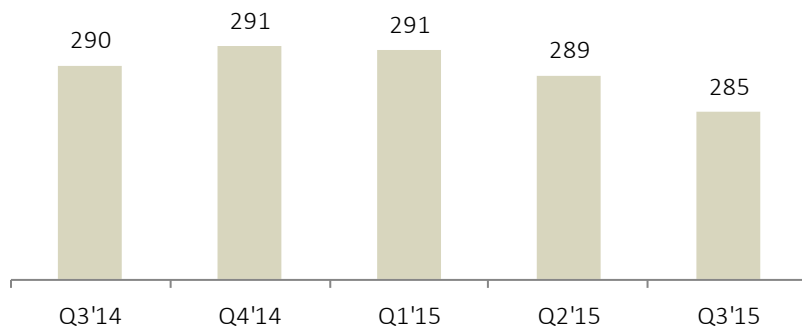
Growth of RGU Base

- Our video RGUs are back on a steady upward trend thanks to upsell and the acquisitions delivered in H1'15
- We are seeing a temporary drop in the broadband segment primarily connected with student churn (disconnection of broadband for the summer months July-Sept). We fully expect to see the usual wave of come-backs starting October
- Fixed-line voice RGUs decline quarter-on-quarter. We capture some of the churning customers with our MVNO offering
- Our other services are not illustrated here as the services are still in the initial stage of development

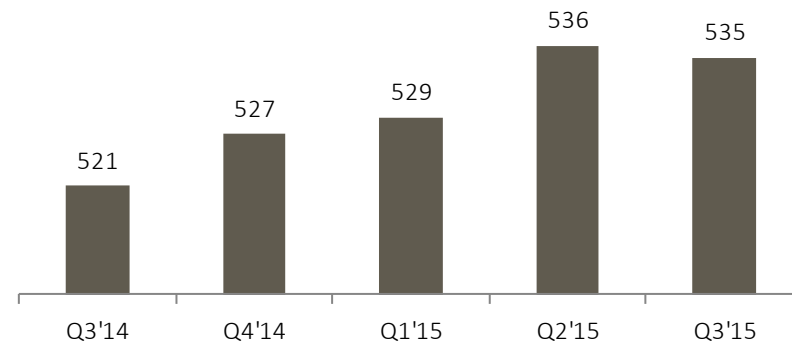
Video RGUs



Voice RGUs



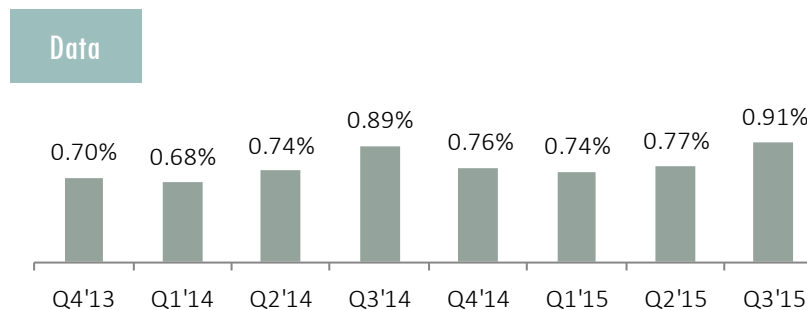
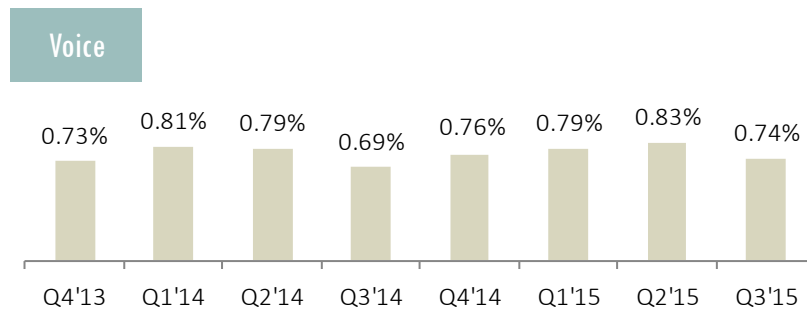
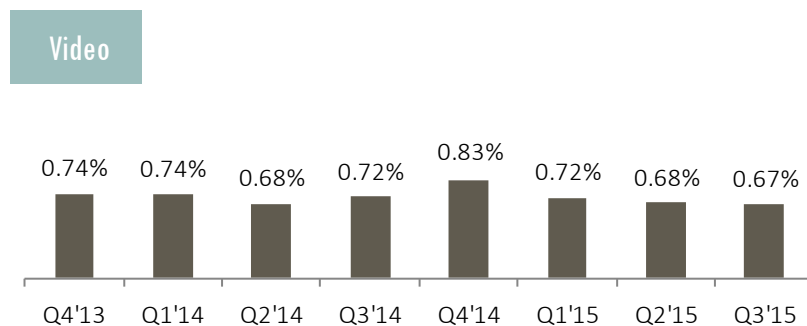
Data RGUs



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. We also believe that promoting multi-play will allow us to continue to keep the churn rates under control
- 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 July-September resignations of students leaving for holidays as well as continued competitive pressure from mobile operators who develop their offering of mobile broadband without data transfer limits
- Please note that data and voice churn rates illustrated here exclude mobile services. We manage to capture customers churning from fixed-line with our own mobile offering



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)	Q3 2014	Q2 2015	Q3 2015	y-o-y % change	q-o-q % change
video	87 841	87 043	87 531	0%	1%
internet	55 248	55 193	55 665	1%	1%
telephony	27 820	25 907	25 497	-8%	-2%
other revenues	4 252	7 345	7 943	87%	8%
Total Revenues	175 162	175 488	176 636	1%	1%

- Our revenues were stable year-on-year and quarter-on-quarter. The increase of other revenues was attributable to revenues generated on our new services
- We strongly believe our revenues will increase in the coming quarters, particularly on the back of the development of our new products

Operating Expenses Quarterly

Expenses (PLN '000)	Q3 2014	Q2 2015	Q3 2015	y-o-y % change	q-o-q % change
cost of services sold	36 361	40 587	41 398	14%	2%
network maintenance	15 660	14 606	14 655	-6%	0%
subscriber costs	1 933	1 734	1 899	-2%	10%
sales and marketing	8 126	8 382	7 155	-12%	-15%
personnel costs	16 142	17 032	15 991	-1%	-6%
general management	14 014	13 023	13 426	-4%	3%
Total Expenses	92 237	95 363	94 523	2%	-1%

- In Q3'15 the cost of services sold was impacted by the appreciation of foreign currencies, mainly the US dollar. If the F/X rates were stable from 2014, our operating expenses in Q3'15 would have been c. PLN 2.2m lower than actually incurred. Other factors that contributed to the increase in the cost of services sold were higher programming and copyright expenses incurred as a result of acquisitions and digitalization of our subscriber base, and costs of new services
- The largest decline quarter-on-quarter was recorded in our sales and marketing costs (PLN 1.2m) as we did not run any major marketing campaigns in Q3'15. There was also a decrease in personnel costs (PLN 1.0m) connected with a release of an unused holiday provision
- Please note that our Q3'14 have been restated due to the allocation of personnel costs throughout product life in accordance with IFRS (see slide 16)

Income Statement Quarterly

Income Statement (PLN '000)	Q3 2014	Q2 2015	Q3 2015	y-o-y % change	q-o-q % change
Revenues	175 162	175 488	176 636	1%	1%
Expenses (excl. D&A)	92 237	95 363	94 523	2%	-1%
Adjusted EBITDA	85 306	82 086	82 590	-3%	1%
<i>margin</i>	<i>48.7%</i>	<i>46.8%</i>	<i>46.8%</i>	-	-
Operating profit	32 367	32 773	33 714	4%	3%
Net interest	(16 310)	(15 373)	(15 046)	-8%	-2%
Profit before tax	16 057	17 400	18 669	16%	7%
Income tax	6 907	4 829	4 818	-30%	0%
Profit for the period	9 150	12 571	13 851	51%	10%

- 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
- Quarter-on-quarter, our operating profit increased on the back of slightly higher revenues and slightly lower costs. Our profit for the period increased PLN 1.3m (10%) also due to lower finance costs recorded in Q3'15

Revenue Structure and Operating Expenses

Year-on-Year

Revenues (PLN '000)	9M 2014	9M 2015	% change
video	261 560	261 200	0%
internet	165 200	166 541	1%
telephony	82 321	78 100	-5%
other revenues	17 422	21 173	22%
Total Revenues	526 503	527 014	0%

- Our video revenues were stable year-on-year. We continue on with the migration of analogue customers to digital TV
- The broadband segment has slowed down somewhat on the back of the competitive pressure from mobile operators and their no-limit LTE offerings but remains on a slight rise

Expenses (PLN '000)	9M 2014	9M 2015	% change
cost of services sold	105 459	121 044	15%
network maintenance	46 285	43 972	-5%
subscriber costs	6 361	5 582	-12%
sales and marketing	29 350	22 808	-22%
personnel costs	52 663	52 570	0%
general management	40 733	38 183	-6%
Total Expenses	280 851	284 160	1%

- The cost of services sold increased primarily on the back of unfavourable F/X fluctuations, and also programming and copyright expenses incurred as a result of acquisitions and costs of new services
- Overall our expenses were impacted by the appreciation of foreign currencies against the Polish zloty. If the rates were stable from 2014, our operating expenses in 9M'15 would have been c. PLN 6.6m lower than actually incurred
- The decline in S&M costs was related to the high level of those costs in 9M'14 when we ran large advertising campaigns and incurred IPO-related expenses
- The fall in general management expenses was also connected with a high level of those costs in 9M'14 due to IPO

Income Statement Year-on-Year

Income Statement (PLN '000)	9M 2014	9M 2015	% change
Revenues	526 503	527 014	0%
Expenses (excl. D&A)	280 851	284 160	1%
Adjusted EBITDA	262 292	248 765	-5%
<i>margin</i>	49.8%	47.2%	-
Operating profit	98 744	98 671	0%
Net interest	(47 136)	(46 012)	-2%
Profit before tax	51 608	52 659	2%
Income tax	17 808	14 815	-17%
Profit for the period	33 800	37 843	12%

- Please note that the level of our expenses in 9M'15 was heavily impacted by unfavourable foreign exchange rates (c. PLN 6.6m negative impact in 9M'15)
- If the F/X rates were at the levels recorded in 2014, our EBITDA would have been on a slight rise (up PLN 4.9m or 2.0%) and our Adjusted EBITDA would have been down by PLN 6.9m or 2.6% instead of 5%

CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2015	Q2 2015	Q3 2015	9M 2015
growth	17 300	28 400	38 200	83 900
maintenance	9 000	11 700	12 200	32 900
other*	10 600	1 700	700	13 000
acquisitions	2 800	20 500		23 300
Total CAPEX	39 700	62 300	51 100	153 100

- We spent c. PLN 153.1m on capital expenditure in 9M'15
- Our 9M'15 growth CAPEX accounted for c. 65% of total organic CAPEX
- Our acquisition CAPEX in 9M'15 was attributable to four small-sized acquisitions

Balance Sheet (PLN '000)	31-12-14	30-09-15	% change
Assets			
non-current	1 242 642	1 261 738	2%
current	405 194	350 885	-13%
incl. cash & equivalents	200 262	39 814	-80%
Total assets	1 647 836	1 612 623	-2%
Equity	205 022	191 580	-7%
Liabilities			
non-current	1 199 098	1 266 352	6%
current	243 717	154 691	-37%
Total equity & liabilities	1 647 836	1 612 623	-2%

- 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
- Our current assets include c. PLN 202m in bank deposits

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

Multimedia Polska Group



Outlook

Upcoming Events

Publication of reporting schedule for 2016

January 2016

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