

# **Multimedia Polska Group**

## **2016 fourth quarter and FY results**



**14 March 2017**

# 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.

# 2016 Highlights

## EBITDA

- Our FY 2016 EBITDA\* was PLN 341.3m and decreased 4.4% year on year
- Our FY 2016 EBITDA margin was 48.8%

## Customers and RGUs

- Our total RGUs reached 1,692,000 at the end of December 2016; up 2.5% year on year
- In the telecom business, we added 51,500 video RGUs and 1,700 broadband RGUs, and lost 13,500 telephony RGUs year on year
- We also added 1,200 other RGUs (comprising insurance and home monitoring) year on year
- Our RGU/customer ratio was 2.16, up from 2.03 at the end of December 2015

## Recent developments

In 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 may take 5 months plus any time required to respond to the Regulator's requests for information. The transaction has the following implications:

- deteriorating market environment, limited growth prospects, and internal difficulties for Multimedia due to public awareness of the transaction
- transaction closing being put on hold until UOKiK's decision
- sale of energy and gas business to third party necessitated by the transaction (energy and gas business presented in the financial statements as discontinued operations as a result)

All data presented below exclude the energy and gas business of Multimedia Polska Energia Sp. z o.o. (more detail on slide 20)

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

# Fourth Quarter 2016 Highlights

We gained 23,800 net RGUs\*, including

**telecom services**

- addition of 20,300 video RGUs
- addition of 7,100 broadband RGUs
- disconnection of 3,200 voice RGUs

**other services**

- disconnection of 500 other RGUs

We had 783,200 customers

- 346,500 single play customers
- 315,800 double play customers
- 120,800 multi play\*\* customers

RGU\*/ customer rate

- 2.11 in Q3 2016
- 2.16 in Q4 2016

Blended ARPU per customer

- PLN 68.4 in Q3 2016
- PLN 68.7 in Q4 2016

(\*) 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 2016	Q4 2016	% change	new adds
video	848	868	2%	20
data	530	537	1%	7
voice	270	267	-1%	(3)
other	20	20	-2%	(.5)
<b>Total</b>	<b>1 668</b>	<b>1 692</b>	<b>1%</b>	<b>24</b>

Year-on-year ('000)	Q4 2015	Q4 2016	% change	new adds
video	816	868	6%	52
data	536	537	0%	2
voice	280	267	-5%	(13)
other	19	20	6%	1
<b>Total</b>	<b>1 651</b>	<b>1 692</b>	<b>2%</b>	<b>41</b>

- We continue to post total RGU growth both year on year and quarter on quarter
- The growth in total RGUs, both year on year and quarter on quarter was attributable to growth in the video and broadband segments. In the voice segment, the business continues to shrink
- As other RGUs no longer involve energy and gas services—due to exclusion of those services from our core business and preparing the energy and gas business for sale—the growth in other RGUs year on year was minor

# Multimedia Polska Group



**Business Review**

# Our Customer Base — 31 December 2016



(\*) Includes telecom RGUs and other RGUs

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

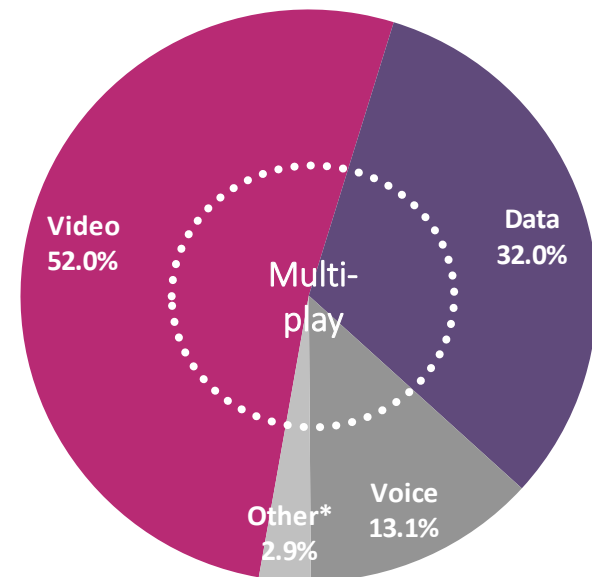
Note: Mathematical inaccuracies, if any, stem from approximation

# 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 2016 revenue breakdown

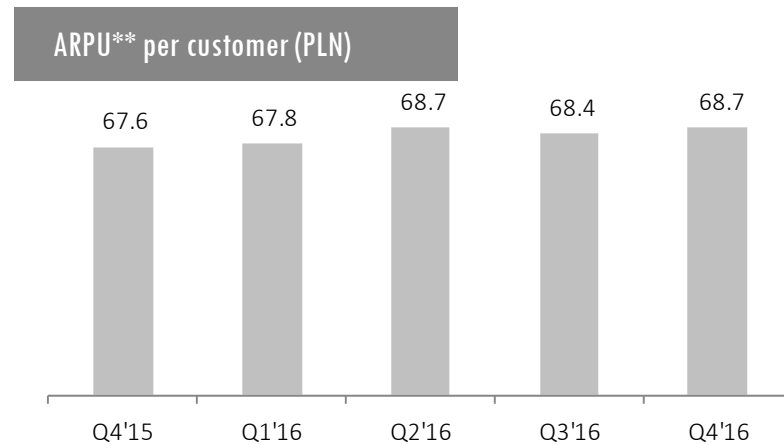
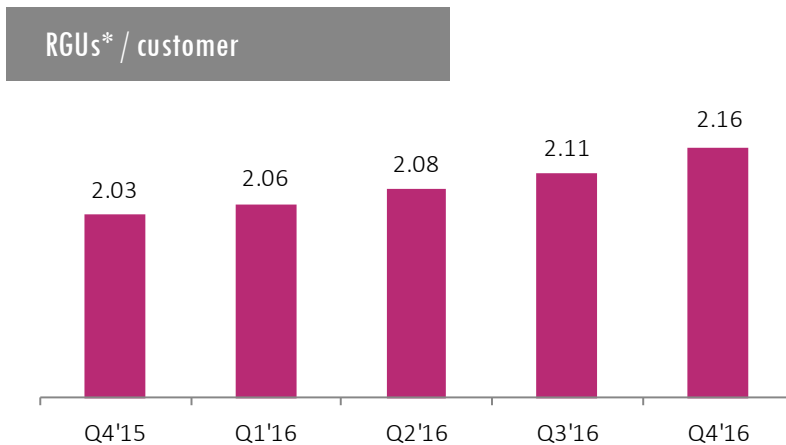
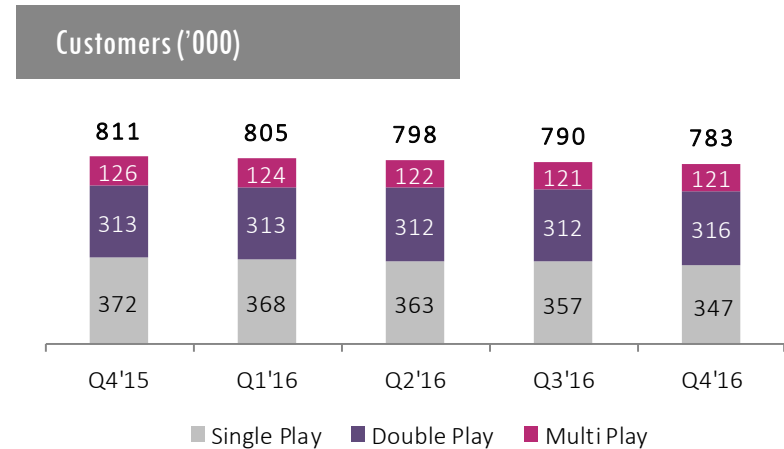


(\*) Other revenues include lease income, licence fees, revenue from production of programming, other subscriber-generated and interoperator revenues, and revenues from our new services



# Customers and ARPU

- The decrease in customers in Q4'16 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 2.11 in Q3'16 to 2.16 in Q4'16
- ARPU per customer increased slightly on Q3'16
- 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

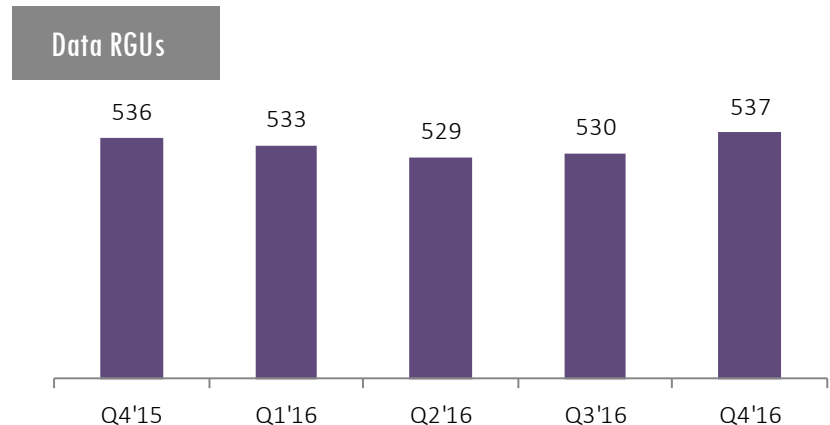
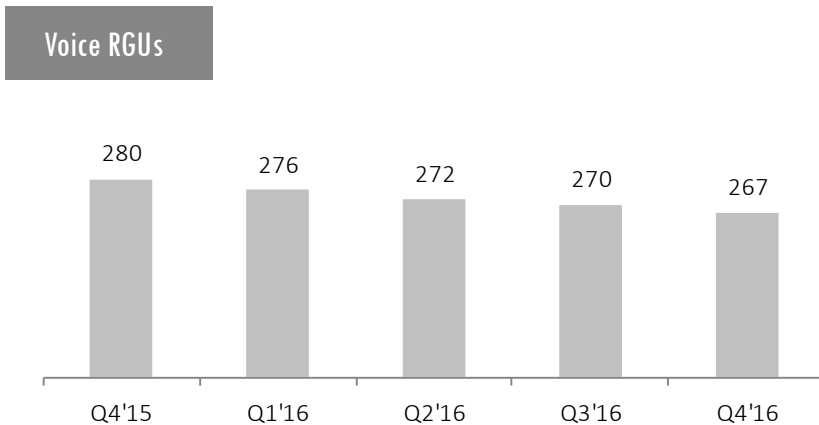
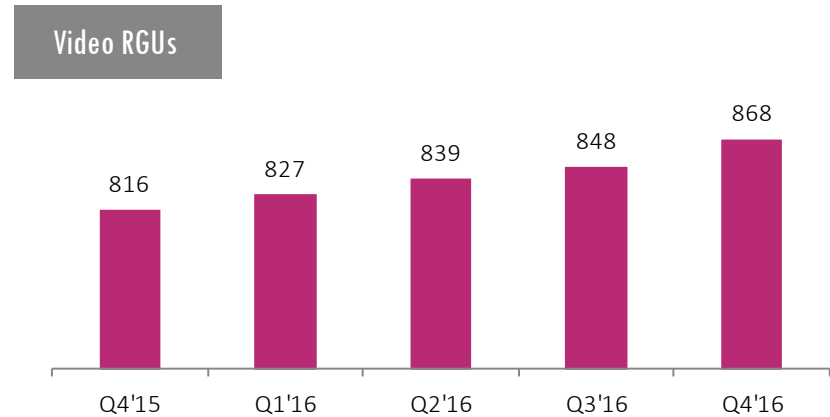


(\*) Include telecom RGUs and other RGUs

(\*\*) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related. Please note that Q3 2015 data has been adjusted according to the newest methodology

# Growth of RGU Base

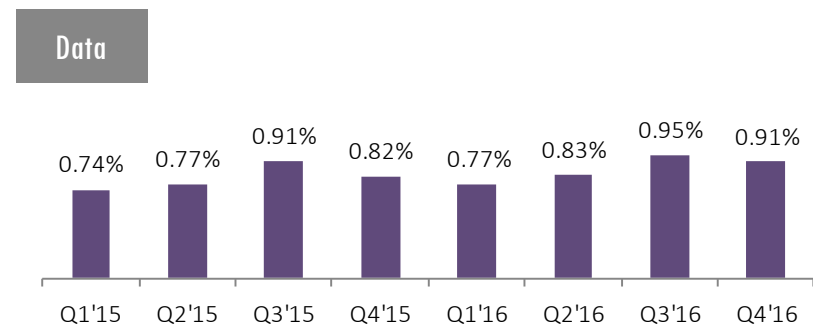
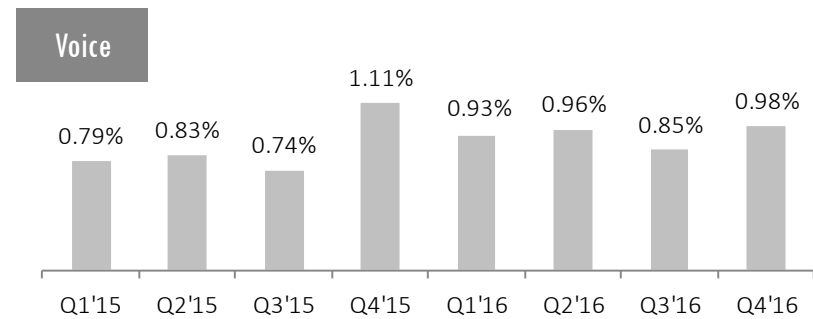
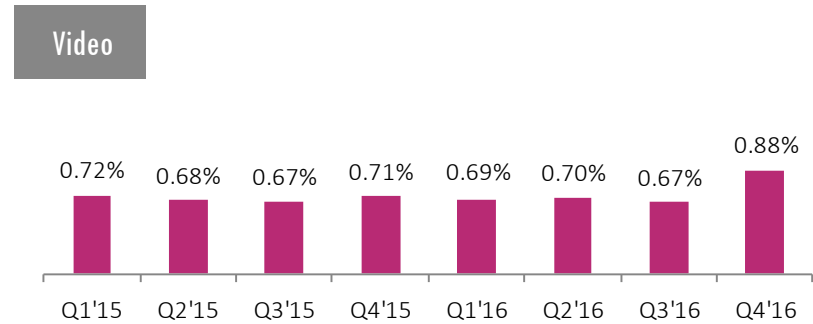
- Our video RGUs are back on a steady upward trend
- In the broadband segment, there is an increase, but we continue to face strong pressure from LTE offerings
- Fixed-line voice RGUs decline quarter on quarter. We capture some of the churning customers with our MVNO offering
- Our other services (home monitoring and insurance services) are not illustrated here as the services are still in the initial stage of development



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



**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)	Q4 2015	Q3 2016	Q4 2016	y-o-y % change	q-o-q % change
video	89 565	90 477	90 454	1%	0%
internet	56 943	55 565	55 399	-3%	0%
telephony	25 328	22 463	22 073	-13%	-2%
other revenues	6 448	3 931	8 419	31%	114%
<b>Total Revenues</b>	<b>178 285</b>	<b>172 436</b>	<b>176 346</b>	<b>-1%</b>	<b>2%</b>

- Our revenues year on year and quarter on quarter have been impacted by the sale process that started back in November 2015, and the subsequent due diligence of the Group that engaged our organization internally
- We will continue to strive to post growth in the coming quarters 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
- Other revenues increased primarily thanks to business advisory services given to enterprises and revenues from promotional and marketing activities of our content providers

# Operating Expenses Quarterly

Expenses (PLN '000)	Q4 2015	Q3 2016	Q4 2016	y-o-y % change	q-o-q % change
cost of services sold	37 542	40 291	56 900	52%	41%
network maintenance	14 809	15 148	16 947	14%	12%
subscriber costs	1 491	1 803	1 936	30%	7%
sales and marketing	3 528	2 725	1 914	-46%	-30%
personnel costs	17 054	17 603	17 328	2%	-2%
general management	12 401	11 763	12 300	-1%	5%
<b>Total Expenses</b>	<b>86 825</b>	<b>89 333</b>	<b>107 324</b>	<b>24%</b>	<b>20%</b>

- The increase in the cost of services sold, both year on year and quarter on quarter, was connected primarily with higher variable costs associated with programming and copyrights on the back of digitalization of our subscriber base and acquisitions made in 2015
- Some growth in that cost category was also attributable to adverse impact of FX fluctuations (euro and US dollar)
- Network maintenance services increased as a result of higher spending on maintenance and repair of network elements
- The decline in sales and marketing expenses was connected with lower spending on marketing campaigns dedicated solely to telco services

# Income Statement Quarterly

Income Statement (PLN '000)	Q4 2015	Q3 2016	Q4 2016	y-o-y % change	q-o-q % change
Revenues	178 285	172 436	176 346	-1%	2%
Expenses (excl. D&A)	86 825	89 333	107 324	24%	20%
Adjusted EBITDA	93 091	84 571	83 310	-11%	-1%
<i>margin</i>	52.2%	49.0%	47.2%	-	-
Operating profit	36 702	31 072	15 831	-57%	-49%
Net interest	(15 495)	(15 763)	(18 532)	20%	18%
Profit before tax	21 207	15 308	(2 701)	-113%	-118%
Income tax	(28 630)	5 007	1 567	-105%	-69%
Profit from continued operations	49 837	10 301	(4 268)	-109%	-141%

- Our Adjusted EBITDA decreased year on year and quarter on quarter due to a considerable increase in expenses, primarily on the back of higher programming and copyright expenses. The decline in Adjusted EBITDA was further attributable to a slight decline of revenues year on year and modest growth quarter on quarter
- Our profit for the period from continued operations (excluding operations connected with energy and gas) decreased considerably quarter on quarter on the back of the factors described above and higher finance costs

# Revenue Structure and Operating Expenses Year-on-Year

Revenues (PLN '000)	FY 2015	FY 2016	% change
video	350 715	363 488	4%
internet	223 484	223 757	0%
telephony	103 429	91 752	-11%
other revenues	23 293	20 231	-13%
<b>Total Revenues</b>	<b>700 921</b>	<b>699 228</b>	<b>0%</b>

Expenses (PLN '000)	FY 2015	FY 2016	% change
cost of services sold	151 896	178 405	17%
network maintenance	60 859	62 644	3%
subscriber costs	7 071	7 218	2%
sales and marketing	12 000	10 065	-16%
personnel costs	69 604	73 202	5%
general management	50 118	48 454	-3%
<b>Total Expenses</b>	<b>351 548</b>	<b>379 987</b>	<b>8%</b>

- Our video revenues increased by PLN 3.9m year on year thanks to organic growth and continued migration of analogue customers to digital TV
- The broadband segment remains stable due to ongoing pressure from LTE offerings
- There was also a major decline in telephony revenues as expected in the current market environment
- The cost of services sold increased primarily on the back of programming and copyright expenses (incl. adverse FX fluctuations)
- Overall our expenses were impacted by the appreciation of foreign currencies against the Polish zloty. If the rates were stable from 2015, our operating expenses in 2016 would have been c. PLN 7.4m lower than actually incurred
- Personnel costs increased on the back of expansion of our S&M structures in connection with the development of our product portfolio
- Network maintenance services increased as a result of higher spending on maintenance and repair of network elements



# Income Statement Year-on-Year

Income Statement (PLN '000)	FY 2015	FY 2016	% change
Revenues	700 921	699 228	0%
Expenses (excl. D&A)	351 548	379 987	8%
Adjusted EBITDA	356 903	341 268	-4%
<i>margin</i>	<i>50.9%</i>	<i>48.8%</i>	-
Operating profit	136 273	110 153	-19%
Net interest	(61 524)	(67 457)	10%
Profit before tax	74 750	42 697	-43%
Income tax	(13 370)	21 203	-259%
Profit from continued operations	88 120	21 494	-76%

- Our Adjusted EBITDA declined year on year primarily because of the increase in expenses driven by the increase in variable costs while our revenues remained stable
- Our profit for the period decreased considerably year on year on the back of the factors described above and also due to negative income tax recognized in 2015 which positively impacted the level of profit in 2015

# CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
growth	15 700	30 400	26 600	68 700	141 300
maintenance	15 700	18 600	18 400	26 800	79 600
other*	53 800	(10 000)	(200)	(40 100)	3 400
acquisitions					
<b>Total CAPEX</b>	<b>85 200</b>	<b>39 000</b>	<b>44 800</b>	<b>55 400</b>	<b>224 300</b>

Balance Sheet (PLN '000)	31-12-15	31-12-16	% change
Assets			
non-current	1 325 204	1 312 187	-1%
current	395 634	351 549	-11%
incl. cash & equivalents	117 395	166 414	42%
Assets—discontinued operations		46 069	
<b>Total assets</b>	<b>1 720 839</b>	<b>1 709 805</b>	<b>-1%</b>
Equity	239 937	200 856	-16%
Liabilities			
non-current	1 282 355	998 677	-22%
current	198 548	490 412	147%
Liabilities—discontinued operations		19 860	
<b>Total equity &amp; liabilities</b>	<b>1 720 839</b>	<b>1 709 805</b>	<b>-1%</b>

- We spent c. PLN 224.3m on capital expenditure in 2016
- Our 2016 growth CAPEX accounted for c. 63% of total organic CAPEX
- The negative amount of other CAPEX in Q2-Q4'16 was connected with changes in investment liabilities and reconciliation of investment expenditures and fixed assets
- On the balance sheet, our current assets include c. PLN 86.5m in bank deposits and 166.4m in cash and equivalents
- The assets and liabilities connected with discontinued operations are attributable to the energy and gas business of Multimedia Polska Energia Sp. z o.o.

(\*) 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).

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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 are being prepared for sale to a third party. The sale must be effected prior to closing of the main transaction.

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Depending on the UOKiK's decision (non-conditional consent, conditional consent or no consent), the integration of Multimedia Polska with UPC Polska will begin immediately following the decision, after the conditions stipulated by the Regulator are met, or will not proceed at all if the decision is negative.

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Please note that all data given in this presentation and our annual report is based on the audited consolidated financial statements that exclude the energy and gas business (i.e. the business conducted by Multimedia Polska Energia Sp. z o.o.) from the operations of the Group and present those operations as discontinued. Hence, the data presented herein is not comparable with the data published up until Q3 2016 in that respect.

# Upcoming Events

Publication of Q1 2017 report

15 May 2017

Publication of extended H1 2017 report

30 August 2017

Publication of Q3 2017 report

15 November 2017

## Contact us

Investor Relations Office

tel. +48 22 553 86 00

fax. +48 22 553 86 03

[ir@multimedia.pl](mailto:ir@multimedia.pl)

Or visit our Investor Relations website

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