Multimedia Polska S.A.

2014 fourth quarter and FY results

multimedia POLSKA

4 March 2015

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2014 Highlights

EBITDA

- Our FY 2014 EBITDA* was PLN 355.6m and remained stable year-on-year
- We continue to enjoy high EBITDA margin of 50.4%

Subscribers and RGUs

- Our RGUs reached 1,598,100 at the end of 2014; up 4.1% year-on-year
- We added ca. 64,400 digital TV subscribers (incl. IPTV), ca. 26,700 broadband subscribers (incl. mobile), and ca. 8,800 telephony subscribers (incl. mobile telephony and excl. indirect voice and payphones) year-on-year
- Our RGU/unique customer ratio was 1.95

Important change in reporting

Please note all data in this presentation is based on single counting of video RGUs and is not comparable to the data published until Q3 2013. For more information and reconciliation of historical data, refer to our Directors' Report for FY2013

Please also note that starting from 2015 we will be changing our approach to reporting operating statistics, particularly ARPU. While expanding outside the scope of typical triple play, we will focus on ARPU/HC as our most important KPI instead of monitoring ARPU per each type of RGU

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

Fourth Quarter 2014 Highlights

We added 18,600 net RGUs, including

11,400 video RGUs

5,400 broadband RGUs, and

1,700 voice RGUs

We had 820,100 unique customers

383,000 single play subscribers

306,900 double play subscribers

130,200 triple play subscribers

RGU/subscriber rate

1.92 in Q3 2014

1.95 in Q4 2014

Blended ARPU per subscriber

PLN 67.92 in Q3 2014

PLN 69.86 in Q4 2014

Blended ARPU per RGU

PLN 34.60 in Q3 2014

PLN 34.00 in Q4 2014

RGU Growth Highlights

Quarter-on-quarter ('000)	Q3 2014	Q4 2014	% change	new adds
video	769	780	1%	11
voice	290	291	1%	1.7
data	521	527	1%	5
Total	1 579	1 598	1%	19

Year-on-year ('000)	Q4 2013	Q4 2014	% change	new adds
video	751	780	4%	29
voice	285	291	2%	7
data	500	527	5%	27
Total	1 536	1 598	4%	62

- We are posting RGU growth both year-on-year and quarter-on-quarter. As expected, we believe we are past the mid-term negative impact of the introduction of free Digital Terrestrial Television (DTT) in Poland in 2013. The growth in RGUs was attributable to the acquisition of Multimedia Polska Teletronik, consolidated from the start of 2014 and the introduction of mobile services using the MVNO model. Perhaps most importantly, we also grew our business organically.
- Please note that we are presenting data according to the new methodology (single counting of video RGUs). Until Q3 2013, 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.
- Data presented above is fully comparable to 2013FY results and is presented according to the single-counting methodology.

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Business Review

Our Subscriber Base — 31 December 2014

Our Market	1,554,500 marketable homes	820,100 unique subscribers	1,598,100 total RGUs
Our Services	779,900 video RGUs*	526,800 broadband RGUs**	291,300 voice RGUs***
Multiplay	383,000 1-play subscribers	306,900 2-play subscribers	130,200 3-play subscribers

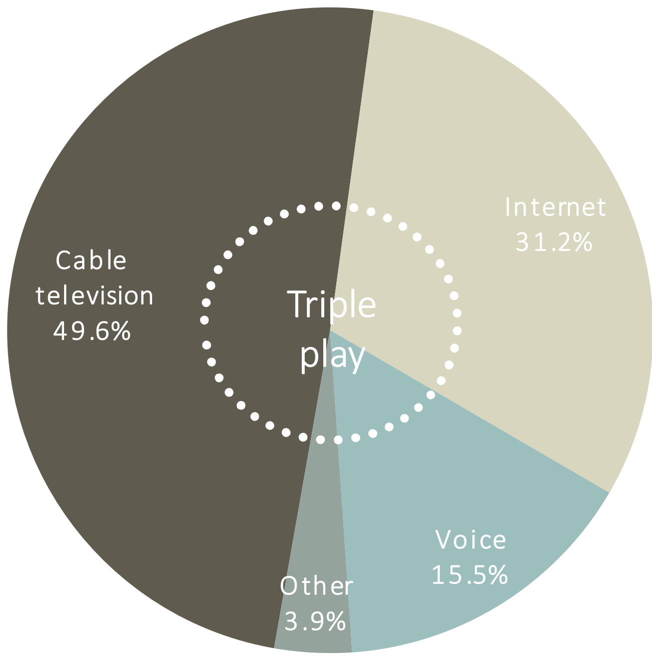
(*) Include 98,500 premium channel RGUs, 17,300 IPTV RGUs and 364,800 DTV RGUs (incl. nDTV)
(**) Include 39,300 mobile broadband RGUs
(***) Include 16,100 indirect voice RGUs, 200 payphones, and 10,800 mobile voice RGUs

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)
- We have already achieved our target revenue structure and continue to expand each segment
- Our new services involve: retail sale of electricity, home monitoring, and insurance services

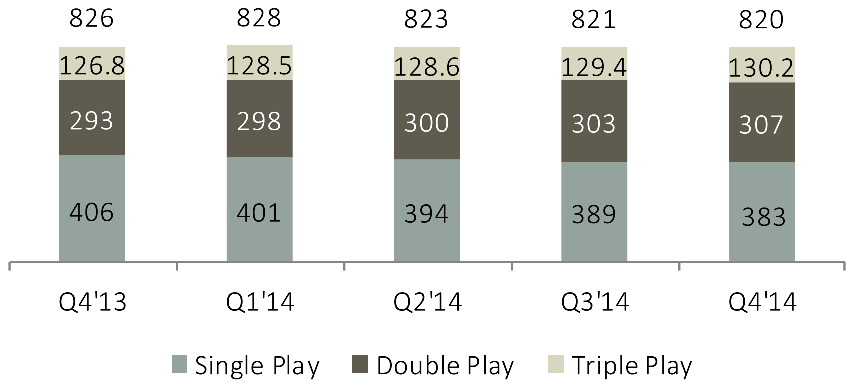
FY 2014 revenue breakdown



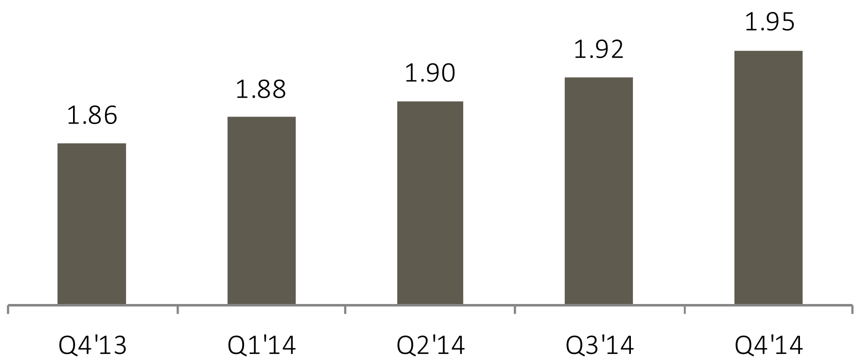
Subscribers and ARPU

- The decline in unique customers in Q4’14 is attributable to some further migrations of mostly single-play customers to DTT where 4 news channels have been added lately
- Due to the nature of the churning customers, the impact of the drop in customer numbers on our revenues was marginal
- Higher ARPU per unique customer was connected with the introduction of new services in 2014 that contribute to higher ARPU per subscriber. We fully expect ARPU/HC to increase in the coming quarters
- RGU per unique customer ratio was up from 1.92 in Q3’14 to 1.95 in Q4’14

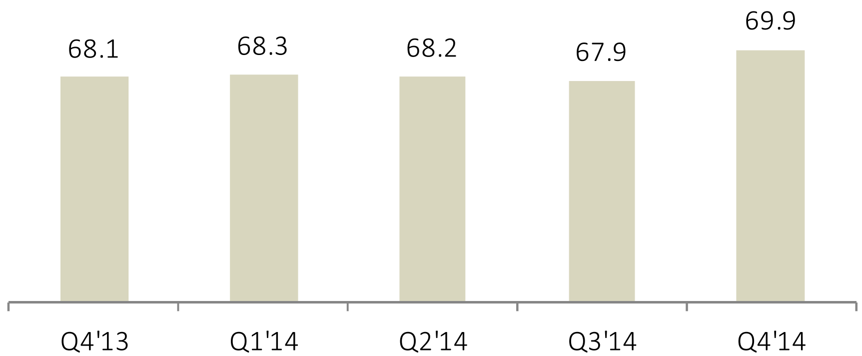
Unique customers (’000)



RGUs / unique customer



ARPU per unique customer (PLN)



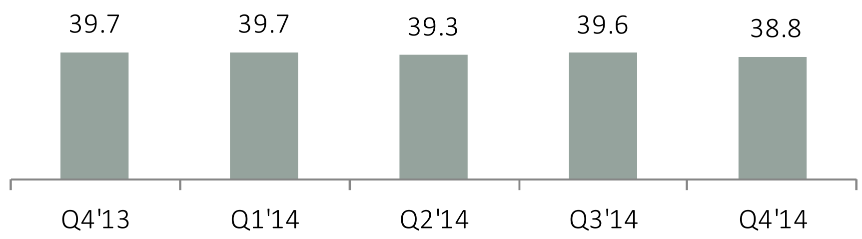
ARPU per RGU—video services

- As announced previously, we have adjusted our RGU reporting as from Q4’13. We 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
- Due to the ongoing migration of customers from our previous DTV offer to new generation DTV (nDTV), we expect further declines in blended ARPU. This type of migration is incentivised and results in slightly lower nDTV ARPU. The process will be finalized in Q1’15 or Q2’15
- We are also working on upselling our DTV services to single-play broadband customers and are seeing very good uptake of the service, which should translate into higher ARPU per HC in 2015
- Please note that starting from 2015 we will be changing our approach to reporting operating statistics (particularly ARPU). As we continue to grow our business and introduce new services outside the scope of typical triple play, we see ARPU/HC as our most important KPI. By focusing on selling bundled services we may be allocating discounts at our discretion, which could disrupt the ARPU/RGU statistics reported to date

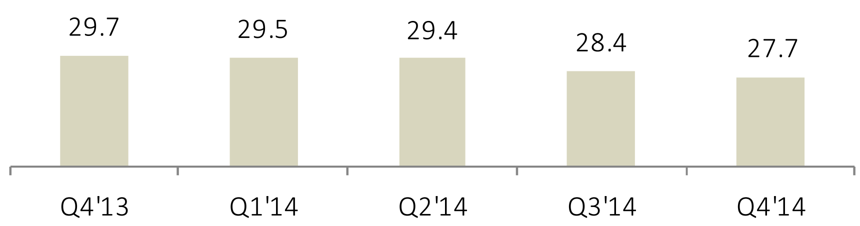
Note: ARPU figures are affected by the recent acquisition of Teletronik (in Q1’14) and Poland’s nationwide analogue switch-off in 2013

All television ARPU figures exclude premium channels

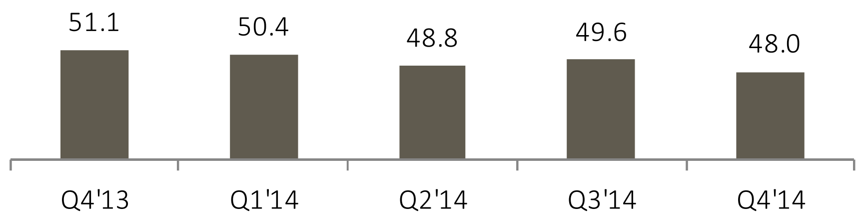
Blended video



Analogue TV



Digital TV

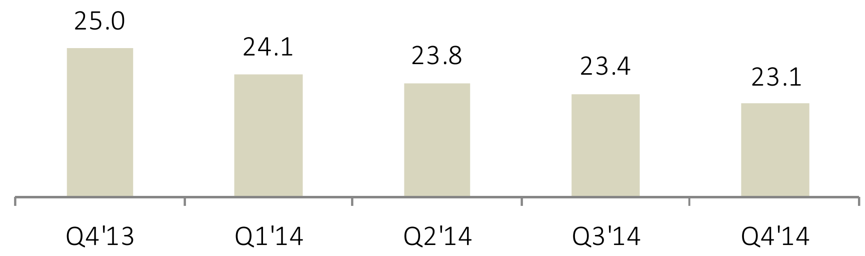


All data in PLN

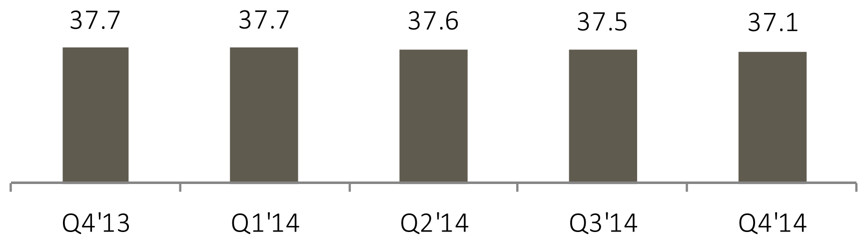
ARPU per RGU—voice and data

- VoIP: ARPU on the service decreased further in Q4'14 but the impact on VoIP revenues was marginal. 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 offer of high speed broadband has been welcomed by our customers and is expected to allow us to grow ARPU in the mid-term perspective
- Our all-services blended ARPU was adversely impacted by the introduction of mobile telephony in Q1'14 that generates much lower ARPU than other core services
- Please note that starting from 2015 we will be changing our approach to reporting operating statistics (particularly ARPU). As we continue to grow our business and introduce new services outside the scope of typical triple play, we see ARPU/HC as our most important KPI. By focusing on selling bundled services we may be allocating discounts at our discretion, which could disrupt the ARPU/RGU statistics reported to date

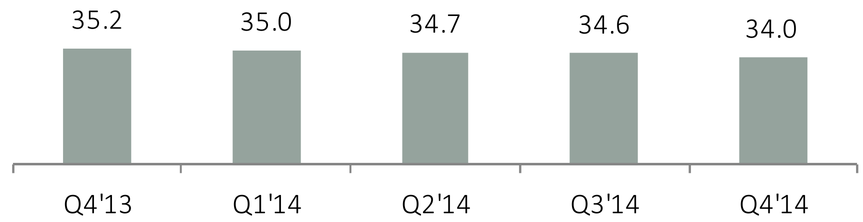
Voice*



Data**



All services blended



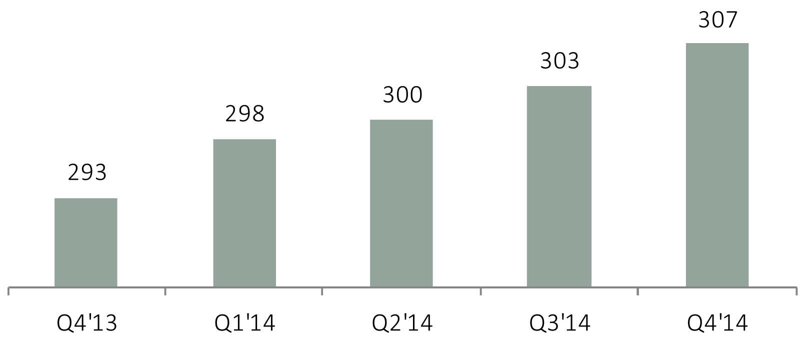
(*) Voice ARPU excludes indirect voice, payphones and mobile telephony
(**) Data ARPU excludes mobile broadband

All data in PLN

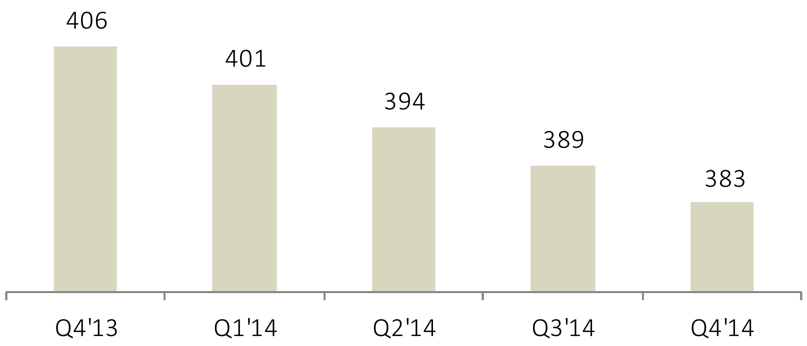
Customer Base Structure

- 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
- We continue to upgrade customers to higher service multiples. There is a drop in 1-play customer base continues in favour of 2- and 3-play, as expected
- 2014 numbers are to some extent affected by the acquisition of Teletronik in Q1’14

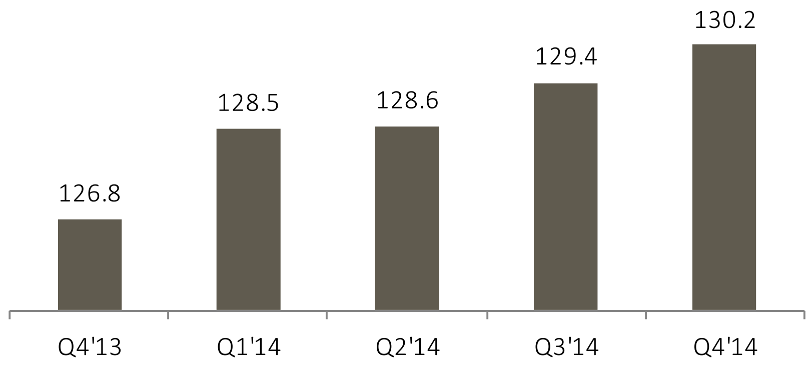
Double Play



Single Play



Triple Play

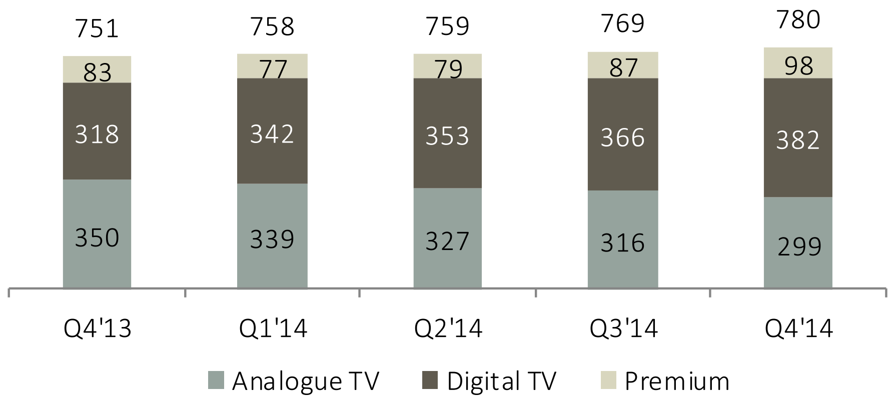


All data in thousands

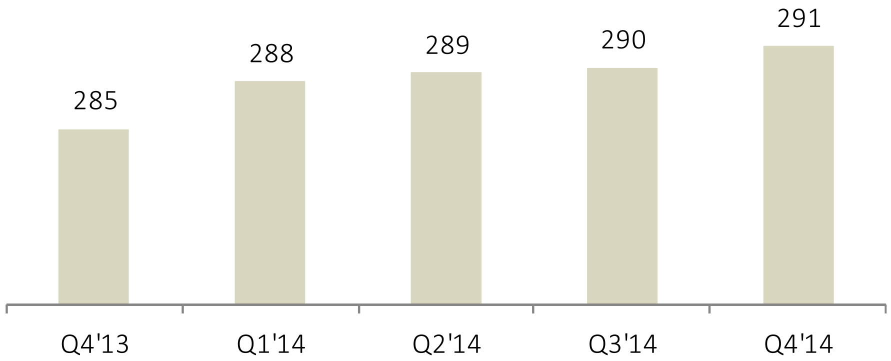
Growth of RGU Base

- Over the past few quarters we have seen a decline in video RGUs (excl. acquisitions) as a result of migrations of customers to Digital Terrestrial Television (DTT). We managed to reverse this negative trend in Q3 and Q4'14
- We also had very good results with respect to Premium channels. After the drops recorded between Q4'13-Q2'14 because of the 2013 change of our up-sell and cross-sell policies, our Q3-Q4'14 net additions were very satisfactory
- Our RGU numbers are also impacted by the acquisition of Teletronik (consolidated from 1 January 2014)

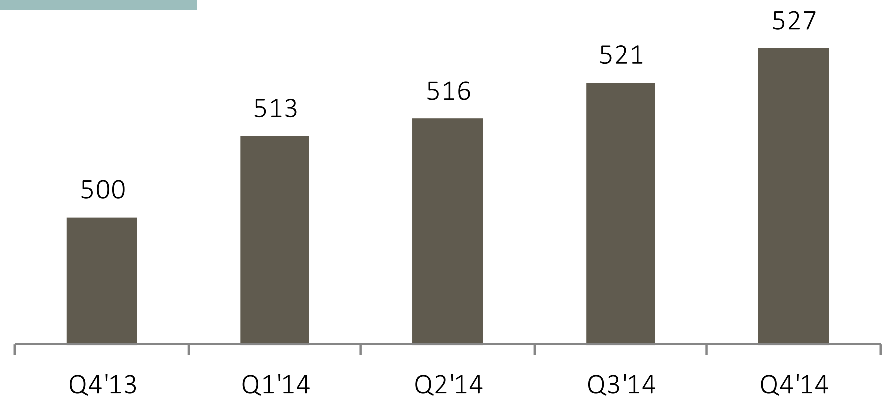
Video RGUs



Voice RGUs



Data RGUs



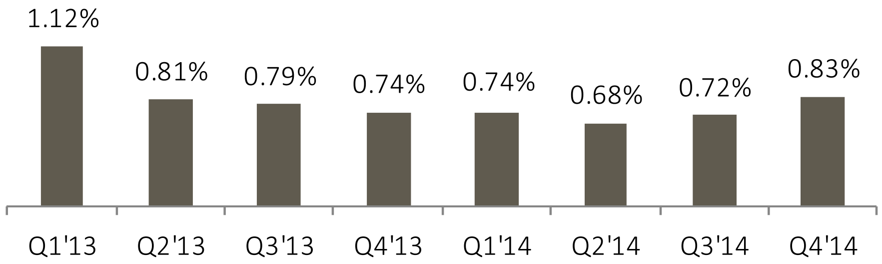
All data in thousands, based on the single-counting approach

Churn – under control due to service bundling

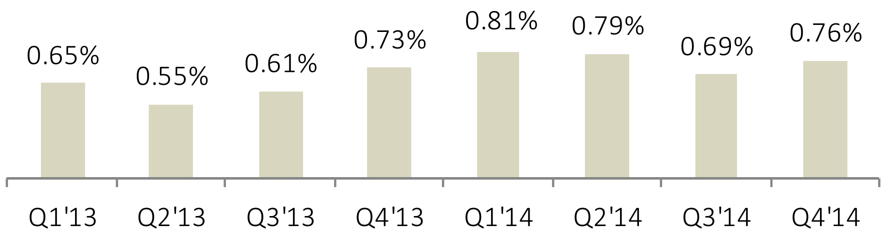
- Reducing churn continues to be one of our strategic objectives. We believe attractive products and pricing are the key to success alongside high quality of both services and customer care
- We had slightly higher churn in video services in Q4'14 due to changes to programming content (replacement of selected channels)
- A new churn-control measure in place from Q1'14 is the bundling of our mobile voice offering (MVNO) with fixed-line voice services. We expect to see some positive impact of this offering on our churn rates in the future. The measure brought very good results in Q3'14 and satisfactory results in Q4'14
- Our data services suffered higher churn in Q3'14 due to July-September resignations of students who left for holidays as well as higher competitive pressure from mobile operators who have started to offer mobile broadband without data transfer limits. In Q4'14 the ratio was back to its usual levels

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

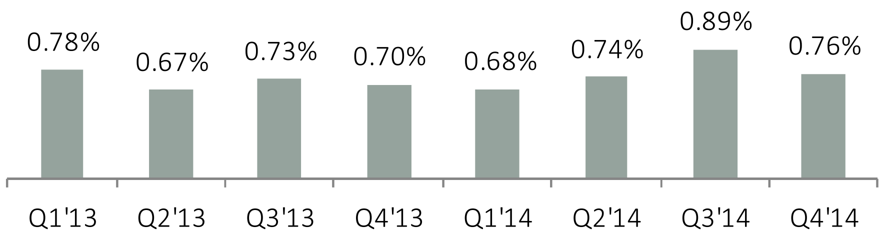
Video



Voice



Data



Monthly average in a given quarter

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Financial Review

Revenue Structure Quarterly

Revenues (PLN '000)	Q4 2013	Q3 2014	Q4 2014	y-o-y % change	q-o-q % change
analogue TV	31 607	27 375	25 606	-19%	-6%
digital TV	47 998	53 501	53 839	12%	1%
premium channels	6 556	6 859	7 400	13%	8%
interactive TV	568	106	99	-83%	-7%
internet	53 806	55 248	55 339	3%	0%
telephony	28 344	27 820	27 201	-4%	-2%
other revenues	6 625	4 252	9 835	48%	131%
Total Revenues	175 504	175 162	179 319	2%	2%

- The rise in total revenues year-on-year was driven by digitalization of our subscriber base and continued expansion of broadband internet services. We also had a higher level of other revenues due to higher revenue from infrastructure leases and commercials
- The year-on-year rise was also underpinned by the acquisition of Teletronik in Q1’14
- Broadband revenue growth slowed down quarter-on-quarter due to higher competitive pressure from mobile operators who have started to offer mobile broadband without data transfer limits

Operating Expenses Quarterly

Expenses (PLN '000)	Q4 2013	Q3 2014	Q4 2014	y-o-y % change	q-o-q % change
programming and copyrights	25 855	28 731	31 526	22%	10%
variable costs of Internet services (incl. bandwidth)	2 381	1 690	1 710	-28%	1%
interconnect and WLR fees	4 322	5 925	5 406	25%	-9%
new projects		15	168	-	-
network maintenance	14 694	15 660	14 539	-1%	-7%
subscriber costs	1 840	1 933	1 708	-7%	-12%
sales and marketing	10 017	7 183	7 933	-21%	10%
personnel costs	16 217	15 974	13 599	-16%	-15%
general management	10 979	14 014	11 866	8%	-15%
Total Expenses	86 304	91 125	88 456	2%	-3%

- Quarter on quarter, our overall costs went down 3% primarily on the back of lower personnel costs (down PLN 2.4m q/q) and lower general management costs (down PLN 2.1m q/q due to very minimal IPO-related costs recognized in Q4'14 as opposed to Q3'14 when they totalled over PLN 2m)
- 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. We provided comparable statistics according to our previous and current methodology in Schedule no. 2 to our Directors' Report for FY2013.

Income Statement Quarterly

Income Statement (PLN '000)	Q4 2013	Q3 2014	Q4 2014	y-o-y % change	q-o-q % change
Revenues	175 504	175 162	179 319	2%	2%
Expenses (excl. D&A)	86 304	91 125	88 456	2%	-3%
Adjusted EBITDA	89 402	86 417	92 881	4%	7%
margin	*50.9%*	*49.3%*	*51.8%*	-	-
Operating profit	44 936	33 478	45 239	1%	35%
Net interest	(17 809)	(16 310)	(16 668)	-6%	2%
Profit before tax	27 127	17 169	28 570	5%	66%
Income tax	(20 837)	7 119	11 455	-	61%
Profit for the year	47 964	10 050	17 116	-64%	70%

Revenue Structure and Operating Expenses Year-on-Year

Revenues (PLN '000)	FY 2013	FY 2014	% change
analogue TV	132 150	112 943	-15%
digital TV	186 423	207 971	12%
premium channels	27 615	27 209	-1%
interactive TV	604	382	-
internet	212 788	220 539	4%
telephony	115 789	109 522	-5%
other revenues	23 874	27 257	14%
Total Revenues	699 244	705 822	1%

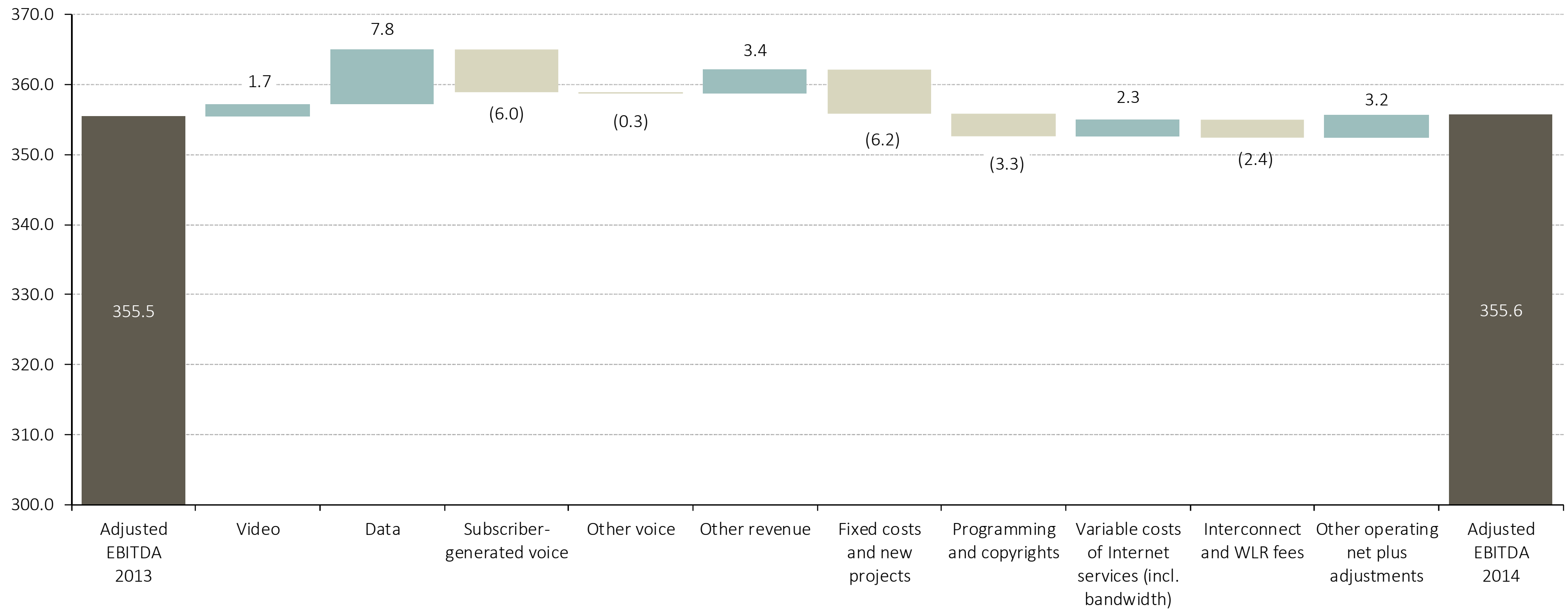
Expenses (PLN '000)	FY 2013	FY 2014	% change
programming and copyrights	112 470	115 808	3%
variable costs of Internet services (incl. bandwidth)	10 224	7 899	-23%
interconnect and WLR fees	17 930	20 376	14%
new projects		187	-
network maintenance	59 418	60 825	2%
subscriber costs	8 161	8 070	-1%
sales and marketing	36 499	37 136	2%
personnel costs	69 493	65 948	-5%
general management	45 029	52 599	17%
Total Expenses	359 223	368 847	3%

- 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
- We post a slight rise in revenues despite the recent unfavourable changes in our immediate market environment

- The rise in general management expenses was attributable to IPO advisory costs as well as other advisory costs related to tax optimizations
- Programming and copyrights expenses were driven by the acquisition of Teletronik and changes in payments for Polsat and Discovery channel groups, as well as migration of customers to higher-tier TV bundles
- Personnel costs were down as in 2014 we did not have a management share incentive programme that totalled PLN 7.7m in 2013, although we did pay out IPO related bonuses totalling PLN 4m

EBITDA Bridge*

Adjusted EBITDA bridge 2013 – 2014 (PLNm)



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

Income Statement Year-on-Year

Income Statement (PLN '000)	FY 2013	FY 2014	% change
Revenues	699 244	705 822	1%
Expenses (excl. D&A)	359 223	368 847	3%
Adjusted EBITDA	355 480	355 633	0%
margin	*50.8%*	*50.4%*	-
Operating profit	144 458	144 443	0%
Net interest	(102 039)	(63 805)	-37%
Profit before tax	42 418	80 639	90%
Income tax	(28 305)	29 350	-
Profit for the year	70 723	51 289	-27%

- Please note that our 2014 net profit was adversely impacted by non-recurring expenses (IPO) and tax-related issues
- In 2013, we had negative income tax due to reorganization carried out within the Group. In 2014, our effective tax rate was slightly higher than statutory due to non-deductible expenses connected with our attempted IPO and higher tax rate on interest earned in connection with the repurchase of the Tri Media Holdings bond issued in 2009

Balance Sheet & CAPEX

CAPEX (PLN '000)	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
growth	34 000	38 800	25 500	33 900	132 200
maintenance	11 400	9 100	8 400	14 400	43 300
other*	(4 400)	(2 500)	13 700	(6 300)	500
acquisitions	22 900			(4 800)	18 100
Total CAPEX	63 900	45 400	47 600	37 200	194 100

Balance Sheet (PLN '000)	31-12-13	31-12-14	% change
Assets			
non-current	1 409 437	1 243 921	-12%
current	226 081	392 781	74%
incl. cash & equivalents	102 403	200 262	96%
Total assets	1 635 518	1 636 703	0%
Equity	213 322	193 888	-9%
Liabilities			
non-current	1 189 308	1 199 098	1%
current	232 887	243 717	5%
Total equity & liabilities	1 635 518	1 636 703	0%

- We spent ca. PLN 194.1m on capital expenditure in 2014
- Our 2014 growth CAPEX accounted for 75% of total organic CAPEX
- Our acquisition CAPEX in 2014 was attributable to the acquisition of Teletronik as well as network infrastructure located in Puck, Ełk and Opoczno
- Please note that our presentation of CAPEX has been amended starting Q4'13

(*) 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

On 1 December 2014, Tri Media Holdings Ltd repurchased the bond issued on 22 December 2009 for a total consideration of PLN191m; thus, all outstanding shareholder liabilities towards the Company have been cleared

We reached a settlement with ZAiKS in October 2014. The amount of the settlement was in line with our expectations and had no disruptive impact on our overall business

In January 2014, we launched our MVNO service and have added 10,800 mobile telephony RGUs by the year-end. We are now also offering the service with subscriber terminals (mobile phones)

Upcoming Events

Publication of Q1 2015 report	13 May 2015
Publication of consolidated H1 2015 report	26 August 2015
Publication of Q3 2015 report	11 November 2015

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