Multimedia Polska S.A.

2013 half-year results

27 August 2013

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First Half 2013 Highlights

1

EBITDA

- Our H1 2013 EBITDA* was PLN 179.1m and increased by ca. 5.4% year-on-year
- We continue to enjoy high EBITDA margin of 51.1%

2

Subscribers and RGUs

- We increased the number of RGUs to 1,770,800; up 5.2% year-on-year
- We added ca. 51,600 DTV subscribers, ca. 31,800 broadband, and ca. 12,000 voice subscribers** year-on-year
- Our RGU/unique customer ratio was 2.15

3

Opex per RGU

- Our operating expenses per RGU per month were at PLN 17.1

(*) Adjusted: operating profit plus depreciation and amortisation less one-off non-cash items
(**) Exclude indirect voice services and payphones

Second Quarter 2013 Highlights

- **We lost 5,900 net RGUs, including***
  - 8,200 video RGUs
  - 1,000 telephony RGUs
  - but added 3,300 broadband RGUs
- **We had 822,800 unique customers**
  - 413,550 single play subscribers
  - 287,750 double play subscribers
  - 121,500 triple play subscribers
- **RGU/subscriber rate**
  - 2.15 in Q1 2013
  - 2.15 in Q2 2013
- **Blended ARPU per subscriber**
  - PLN 68.70 in Q1 2013
  - PLN 67.66 in Q2 2013
- **Blended ARPU per RGU**
  - PLN 30.74 in Q1 2013
  - PLN 30.47 in Q2 2013

(*) The drop in RGU numbers is connected with a change of our sales strategy described below

RGU Growth Highlights

- We strive to grow our customer base, but we are changing our approach to one more focused on top-tier customers and maximizing margins generated on each service; hence, some losses in RGU numbers are to be expected in the future. This new strategy will allow us to post higher revenues in the longer term, even at the expense of a temporary decline in some RGU and/or revenue categories
- We have also amended our up- and cross-sell policy so that the sale of a new service does not destroy ARPU generated on the services already subscribed for. This strategy will in all probability contribute to lower RGU run rates but will also allow us to protect our margins across our customer base
- Another new solution in place are our ‘transition rates’ whereby the customer whose discount offering has just ended does not go straight to the full pricelist rate but is offered transition rates. These efforts are aimed to help us keep churn under control in the longer term but will translate into slower revenue growth

Quarter-on-quarter ('000)	Q1 2013	Q2 2013	% change	new adds
video	1 009	1 001	-1%	(8)
voice	285	284	0%	(1)
data	482	485	1%	3
Total	**1 777**	**1 771**	**0%**	**(6)**

Year-on-year ('000)	Q2 2012	Q2 2013	% change	new adds
video	953	1 001	5%	48
voice	277	284	3%	7
data	454	485	7%	32
Total	**1 684**	**1 771**	**5%**	**87**

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Business Review

Our Subscriber Base — 30 June 2013

Our Market	**1,509,600** **marketable homes**	**822,800** **unique subscribers**	**1,770,800** **total RGUs**
Our Services	**1,001,000** **video RGUs***	**485,400** **broadband RGUs**	**284,400** **voice RGUs****
Multiplay	**413,500** **1-play subscribers**	**287,700** **2-play subscribers**	**121,500** **3-play subscribers**

(*) Include 93,300 premium channel RGUs, 14,500 IPTV RGUs and 281,900 DTV RGUs
(**) Include 19,800 indirect voice RGUs and approximately 600 payphones

Our Products Today

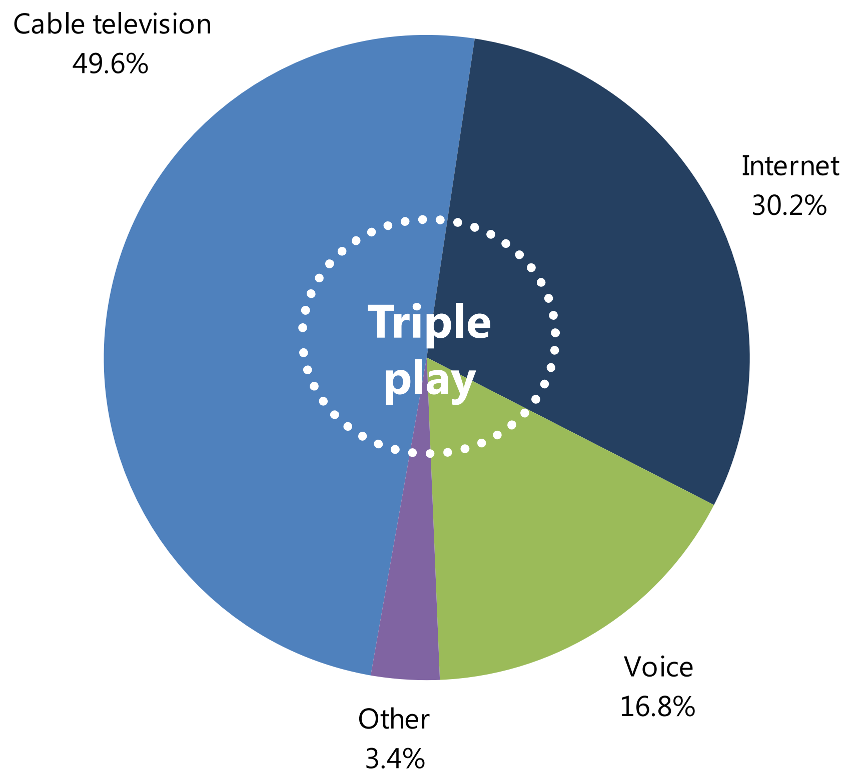
Product offering

→ We have a fully-developed up-to-date and innovative product offering which continues to be expanded in line with technological advance

→ Our products comprise primarily:
- CATV (analogue TV, IPTV, DTV, premium channels, VoD, PC streaming)
- Internet (broadband, broadband DSL, Wi-Fi, Wi-Max, mobile)
- Telephony (VoIP, PSTN – also digital, new hybrid WiFi/GSM mobile service, NDS/CPS, value-added services)

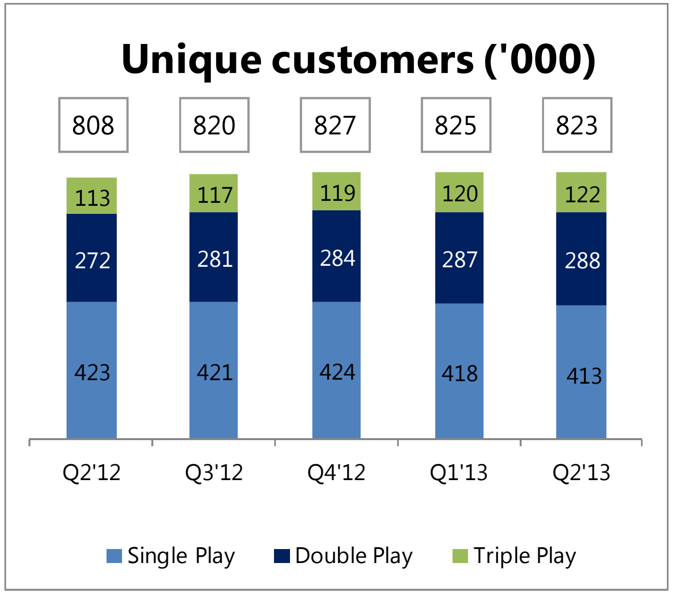
→ We have already achieved our target revenue structure and continue to expand each segment

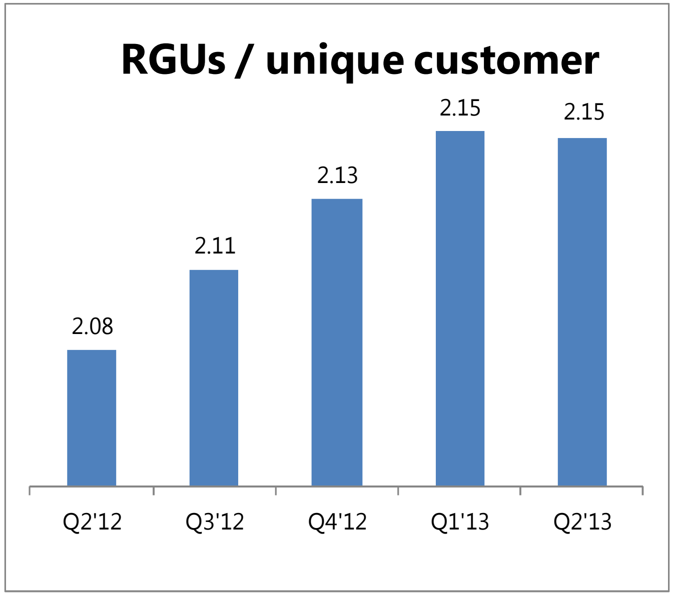
H1 2013 revenue breakdown

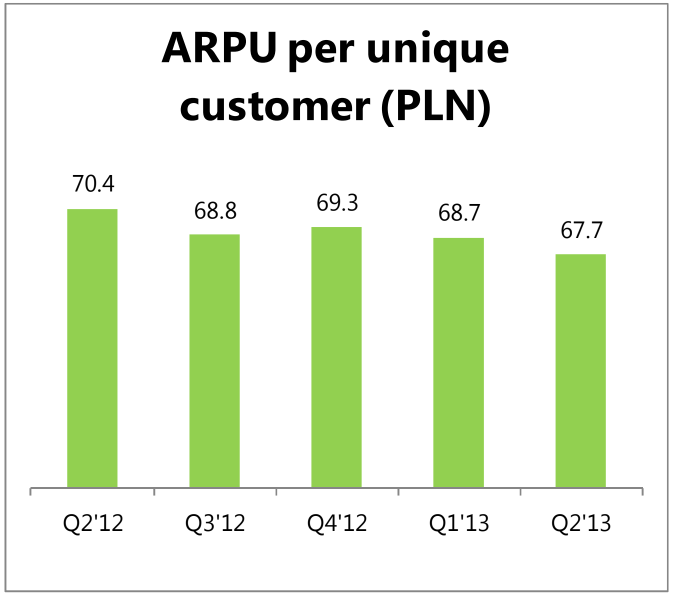


Subscribers and ARPU

- The decrease in unique customers was connected with some migrations of 1-play customers to Digital Terrestrial Television (DTT)
- The drop in ARPU per unique customer in Q1 and Q2 2013 is related to the 'transition rate' policy that we introduced at the start of 2013, as described above
- RGU per unique customer was stable at 2.15 in Q1 and Q2 2013

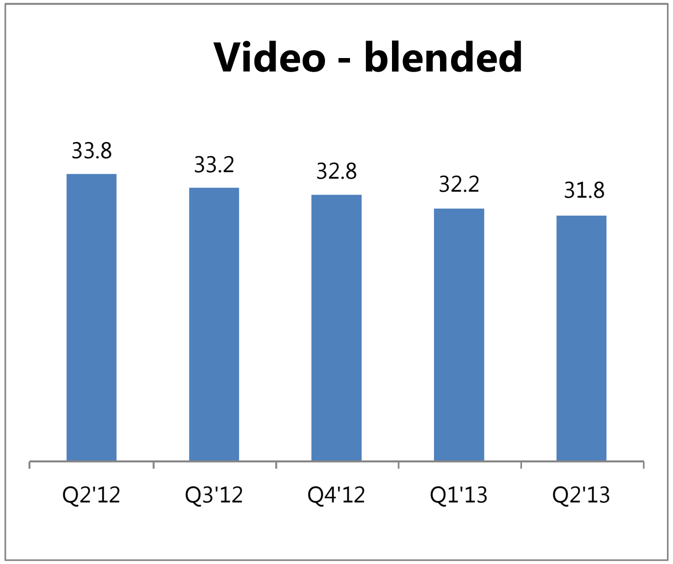


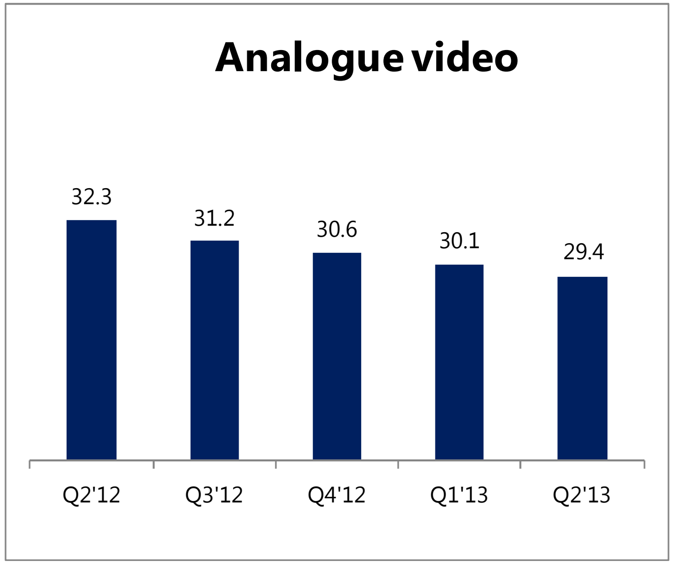


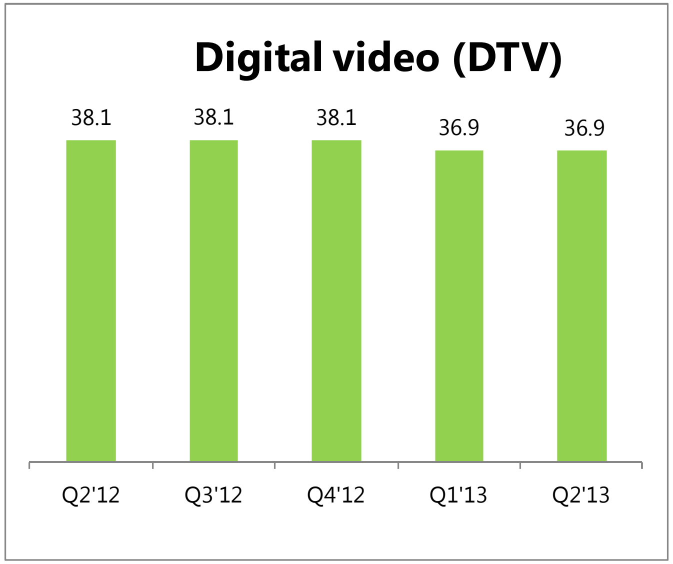


ARPU per RGU —video services

- Over 2012 we decided to incentivise 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 stabilization of DTV ARPU
- We also have a new policy in place where we offer only DTV without analogue TV (the service is called nDTV). We will therefore be adjusting our RGU reporting as from Q3-Q4’13 and will also provide comparable statistics according to our current methodology. This change will also to some extent affect DTV and ATV ARPU
- The failed attempt of nC+ to raise prices has put on hold the idea of immediate price increases in the video segment. We still believe the process is inevitable but will most probably be delayed by 6-12 months
- Another factor impacting ARPU in Q1-Q2’13 are the ‘transition prices’ that we introduced in January. We believe this policy will bring higher ARPU starting from Q3-Q4’13





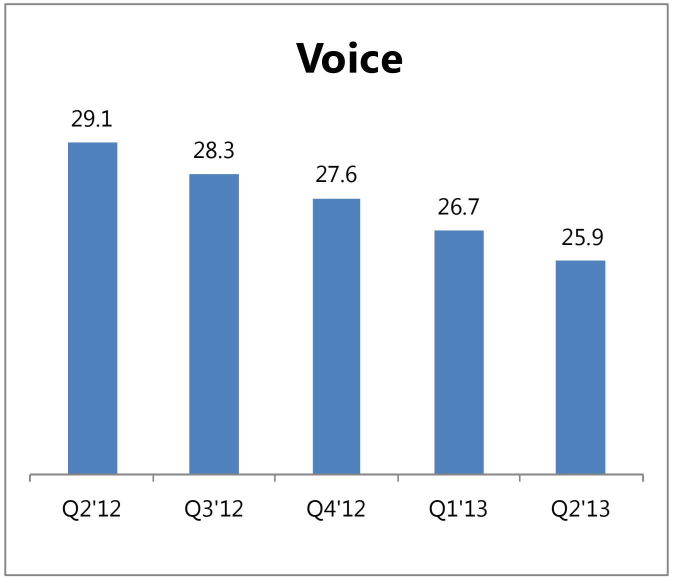


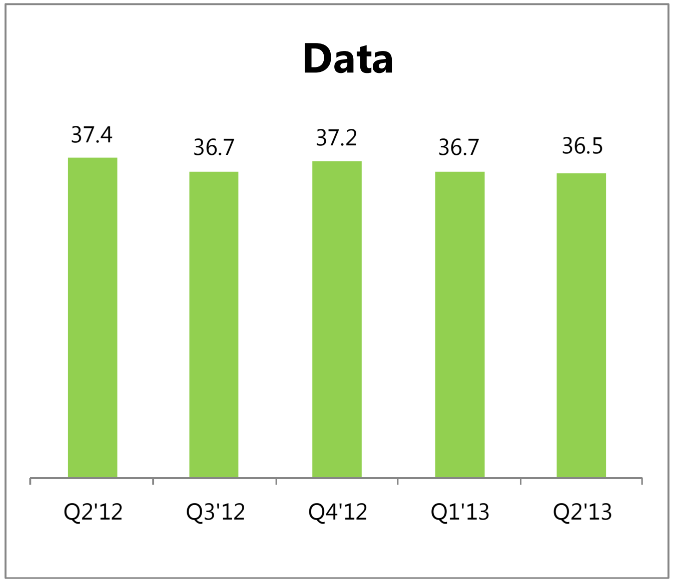
Note: ARPU figures are affected by acquisitions (Stream in Q2’12, Diana in Q3’12, and Transmitel in Q4’12)

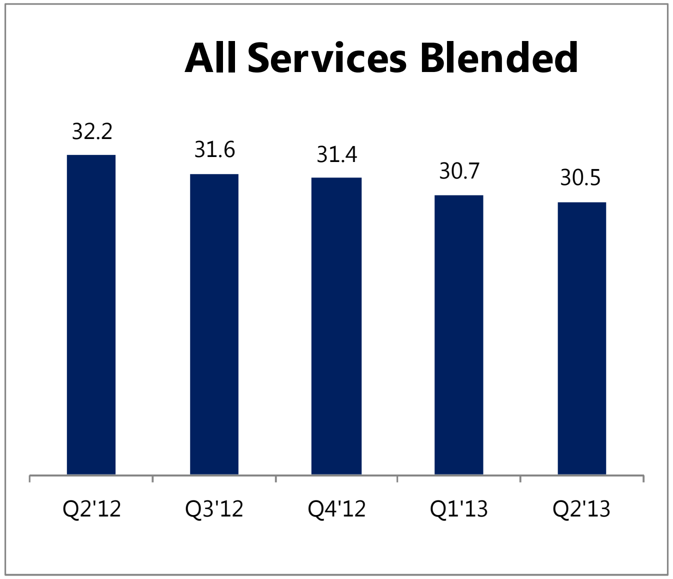
All data in PLN

ARPU per RGU —voice and data

- **VoIP**: Although ARPU on the service decreased further in Q2 2013, 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 allows us to further grow ARPU.
- Another factor impacting ARPU in Q1-Q2'13 are the 'transition prices' that we introduced in January. We believe this policy will bring higher ARPU starting Q3-Q4'13



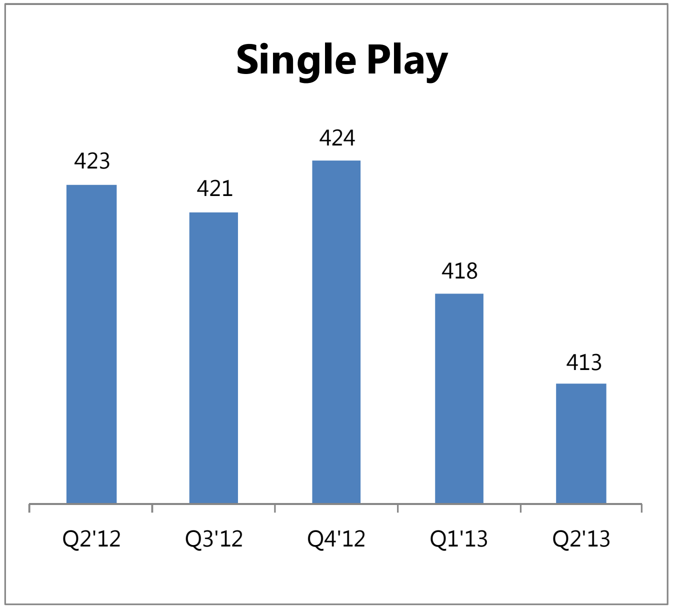


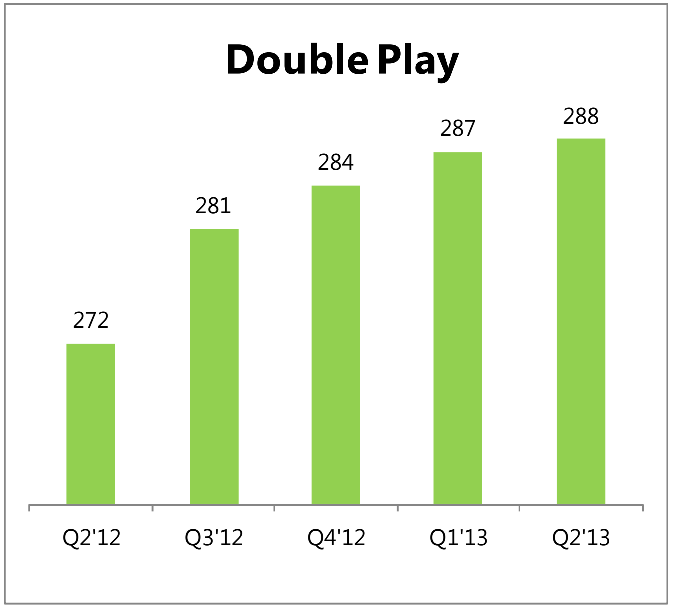


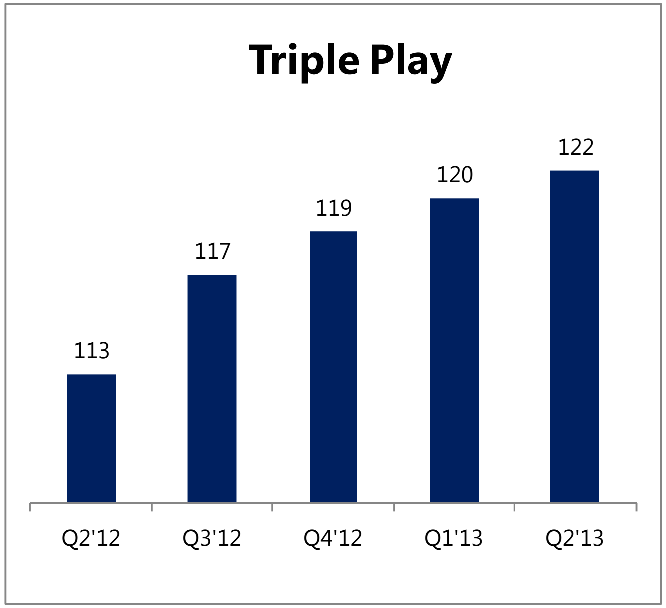
All data in PLN

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
- The steep rises in 2- and 3-play customers in Q3 2012 are attributable to the consolidation of Stream where we upgraded customers to higher service multiples
- There is a drop in 1-play customer base in Q1-Q2 2013 in favour of 2- and 3-play, as expected





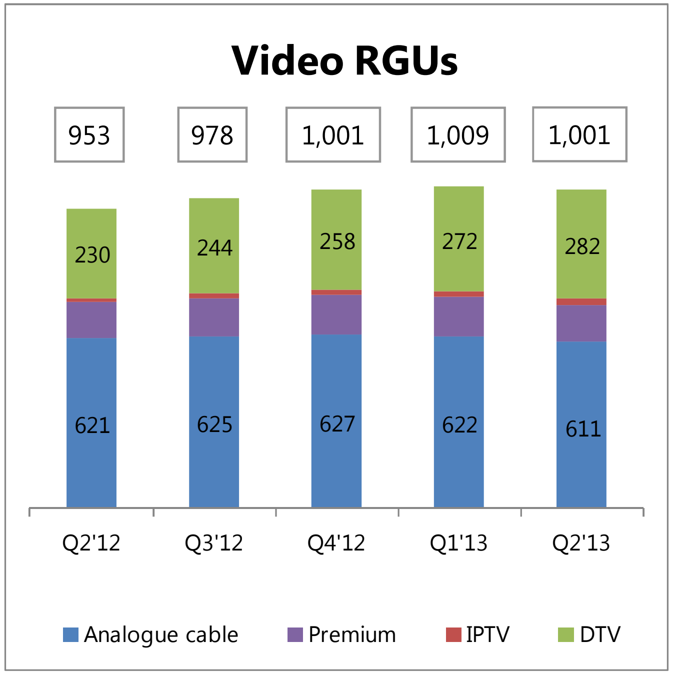


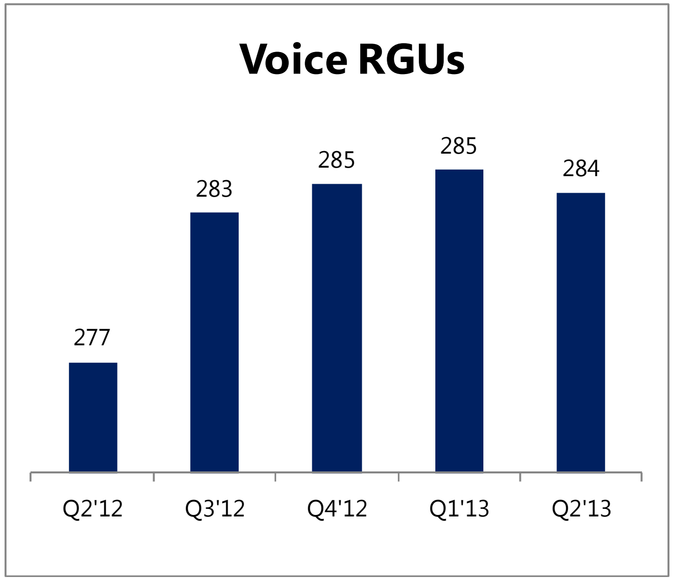
Note: The rise in Q4’12 is attributable to consolidation of Transmitel

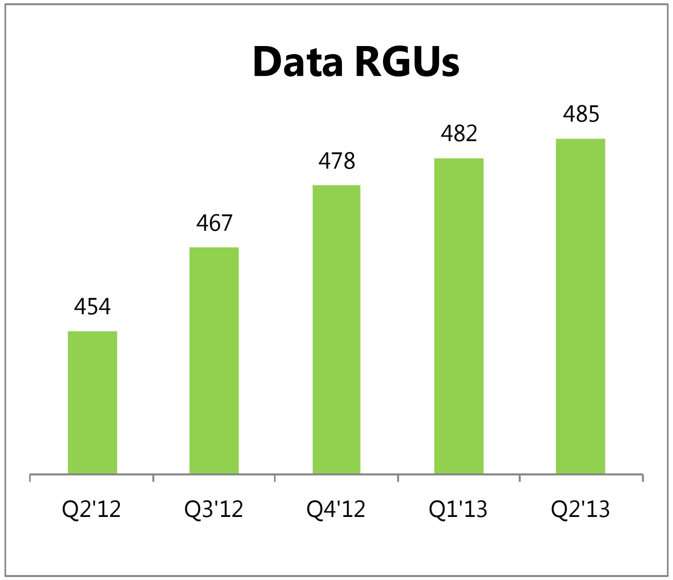
All data in thousands

Growth of Customer Base

- Stable growth of Revenue Generating Units quarter on quarter owing to the consolidation of Stream, Diana, and Transmitel, as well as organic growth
- Please note that we are considering adjusting our RGU reporting approach starting year-end as we will have a new DTV only service (nDTV), not sold on top of ATV as before; hence some of our RGUs will become one (nDTV) instead of the current two RGUs (ATV+DTV)



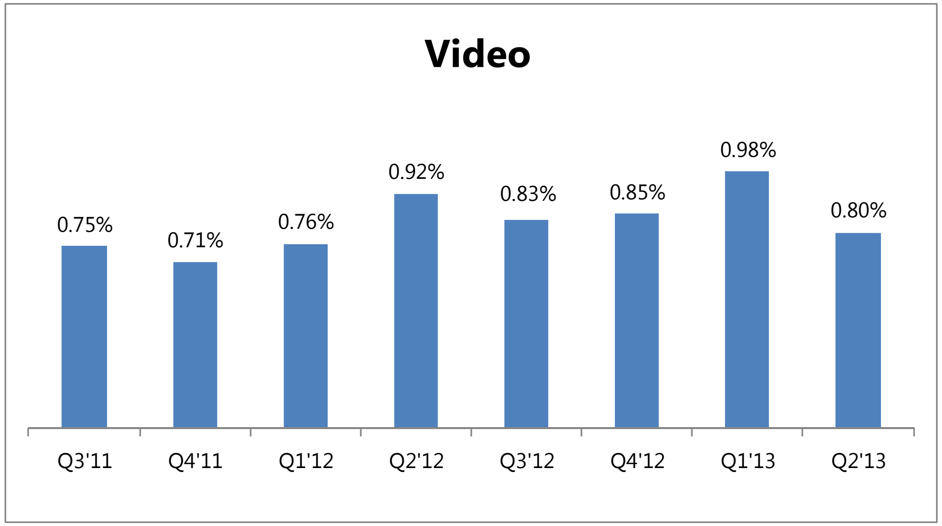


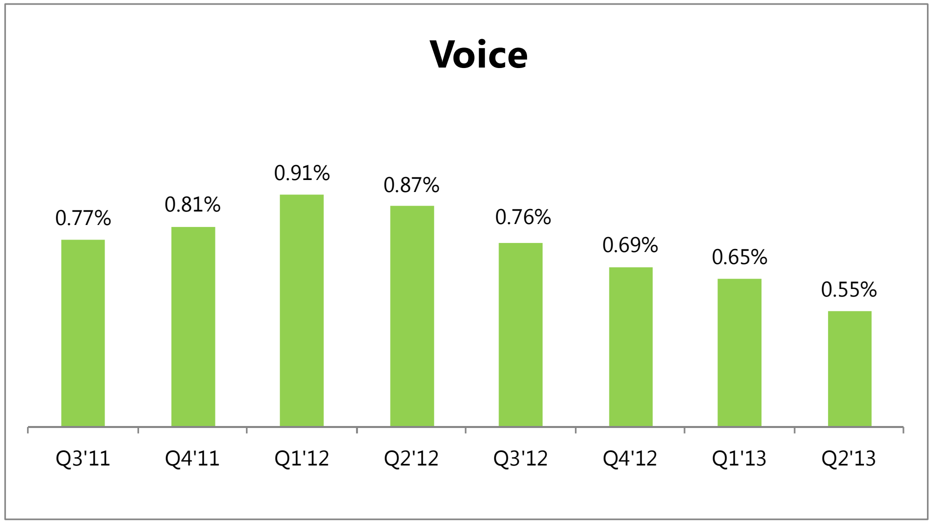


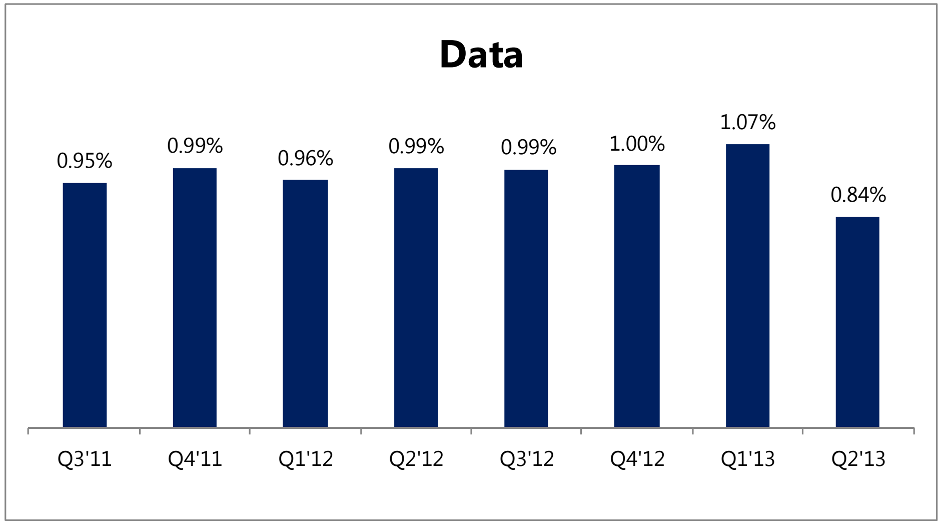
All data in thousands

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 new ‘transition rates’ offered to customers exiting promotional offerings to stop them from churning and facilitate their transition to the full pricelist
- Higher churn rates in Q1’13 were the result of terminations filed by subscribers in Q4’12. We counteracted that by implementing our new transition rates policy, which worked perfectly to reduce churn in Q2’13







Monthly average in a given quarter

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Financial Review

Revenue Structure Quarterly

- The quarter-on-quarter drop in total revenues is related to the implementation of the 'transition rates' policy. This mechanism entailed a 2% drop in revenues in Q2'13. However, had it not been for the new policy, those customers would have been transferred to the regular pricelist that would have translated into some revenue growth straight away, but it would also in all probability lead to higher churn in the future, and stronger anti-churn measures would have to be employed to retain those customers. That would have a more negative impact on revenues in the following quarters, while we strongly believe that the Q1-Q2'13 negative growth will be reversed in future periods
- DTV revenues continue to grow in line with RGU additions, also coming from the acquisition of Stream, Diana, and Transmitel
- Internet revenues grow thanks to additions of broadband subscribers (incl. Stream, Diana and Transmitel), quarter-on-quarter growth has slowed down on the back of our 'transition pricing' strategy
- The impact of vibrant additions of VoIP subscribers on our voice revenues to some extent offsets the decline in PSTN telephony; however, ARPU on cable telephony is seeing steep erosion due to aggressive promotion of bundled services

Revenues (PLN '000)	**Q2 2012**	**Q1 2013**	**Q2 2013**	**y-o-y % change**	**q-o-q % change**
basic CATV	58 103	56 301	54 334	-6%	-3%
DTV & IPTV	25 321	30 978	32 356	28%	4%
internet	48 427	52 782	53 017	9%	0%
telephony	31 303	29 894	28 995	-7%	-3%
other revenues	6 382	6 972	5 061	-21%	-27%
Total Revenues	**169 536**	**176 928**	**173 764**	**2%**	**-2%**

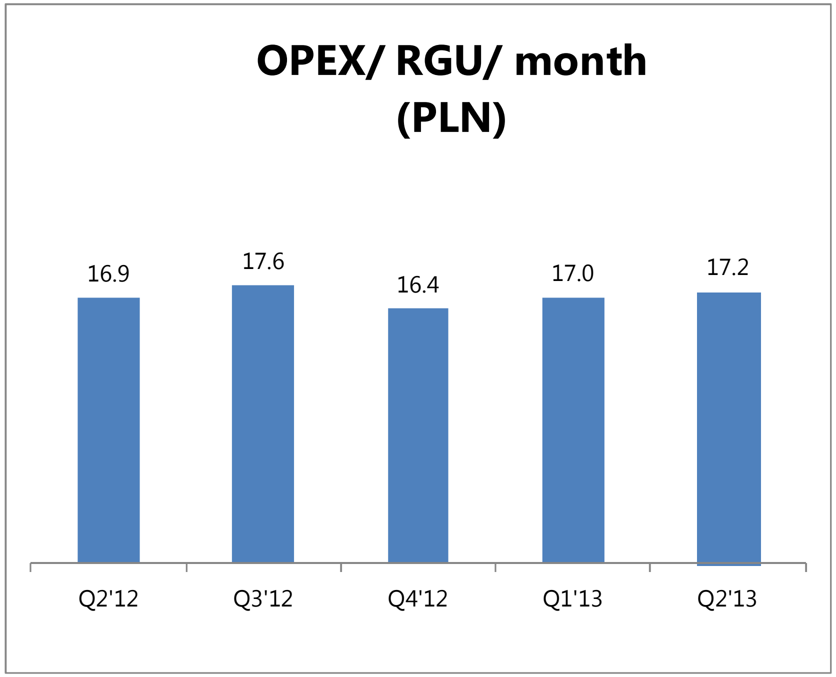
Operating Expenses Quarterly

- Quarter on quarter, we kept our variable costs under control. The slight increase in programming expenses is connected with the popularity of our DTV service
- As regards fixed costs, the largest increase was recorded in S&M expenses as we prepared to launch our broadband marketing campaign in May 2013
- The increase in payroll and benefits was related to an incentive programme for upper management (PLN 4.7m in Q2'13)

Expenses (PLN '000)	**Q2 2012**	**Q1 2013**	**Q2 2013**	**y-o-y % change**	**q-o-q % change**
programming and copyrights	24 699	26 682	27 251	10%	2%
bandwidth	993	794	790	-20%	-1%
interconnect	5 174	3 862	3 749	-28%	-3%
network costs	13 178	14 298	13 849	5%	-3%
sales and marketing	4 490	3 617	4 717	5%	30%
payroll and benefits	17 578	22 968	24 268	38%	6%
taxes and charges	3 261	3 538	3 702	14%	5%
professional services	3 800	2 489	2 160	-43%	-13%
energy and materials	4 563	5 568	4 904	7%	-12%
other expenses	7 726	6 548	6 140	-21%	-6%
Total Expenses	**85 461**	**90 365**	**91 530**	**7%**	**1%**
OPEX/ RGU /month	16.9	17.0	17.2	2%	2%

Operating Expenses Quarterly

- In 2012, our operating expenses were heavily impacted by non-recurring events, which had a major impact on our OPEX/RGU/month ratio
- If those non-recurring events were excluded, the ratio would have followed the regular historical downward trend
- In Q1-Q2’13 once again we had one-off events impacting our OPER/RGU/month ratio, this time connected with the incentive programme for upper management. The adjusted ratio would have been at PLN16.5 in both periods



Income Statement Quarterly

- The quarter-on-quarter drop in total revenues is related to the implementation of the 'transition rates' policy while year-on-year our revenues went up thanks to acquisitions and organic growth in the video and broadband segments
- The growth in customer base as a result of acquisitions and organic growth led to higher programming & copyright expenses; we also incurred higher S&M expenses due to our broadband marketing campaign
- We also had a steep increase in payroll and benefits related to our incentive programme for upper management
- We also recorded additional finance costs connected with the refinancing of our former bank and bond liabilities (PLN30m)

Income Statement (PLN '000)	**Q2 2012**	**Q1 2013**	**Q2 2013**	**y-o-y % change**	**q-o-q % change**
Revenues	169 536	176 928	173 764	2%	-2%
Expenses (excl. D&A)	85 461	90 365	91 530	7%	1%
Adjusted EBITDA	87 925	91 043	88 099	0%	-3%
margin	*51.9%*	*51.5%*	*50.7%*	-	-
Operating profit	35 880	34 234	31 616	-12%	-8%
Net interest	(17 472)	(16 446)	(45 888)	163%	179%
Pretax profit	18 148	17 788	(14 272)	-179%	-180%
Tax	7 209	3 414	1 818	-	-
Net income	10 939	14 373	(16 090)	-247%	-212%

Revenue Structure Year-on-Year

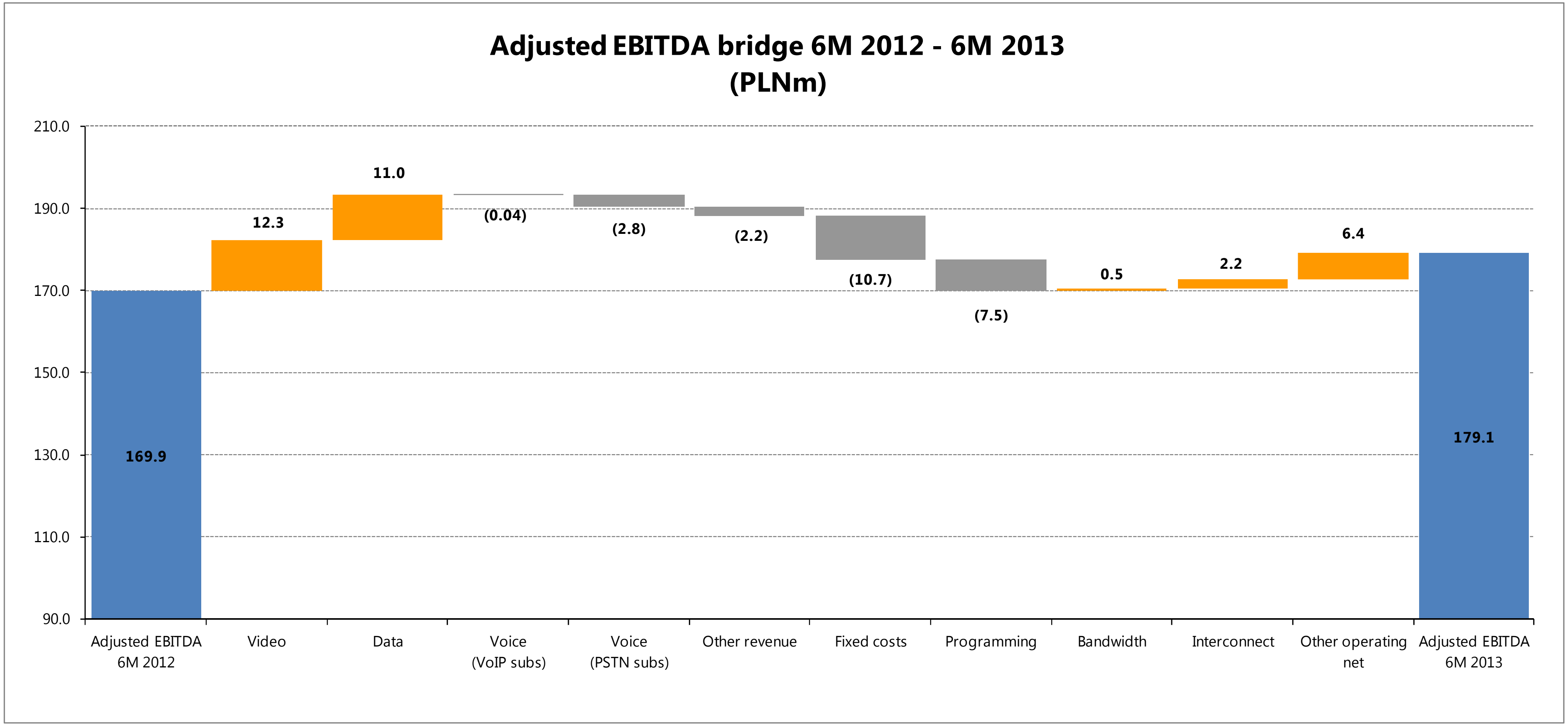
Revenues (PLN '000)	6M 2012	6M 2013	% change
basic CATV	115 108	110 635	-4%
DTV & IPTV	46 598	63 335	36%
internet	94 818	105 800	12%
telephony	63 306	58 890	-7%
other revenues	12 659	12 033	-5%
Total Revenues	**332 489**	**350 693**	**5%**

Operating Expenses Year-on-Year

- Our programming costs went up on the back of vibrant additions of digital subscribers, also from Stream Communications, and changes to programming content
- The surge in payroll and benefits was related to our incentive programme for upper management (PLN6.2m) and acquisitions finalized in H2 2012 (costs of acquired employees were up PLN1m from H1 2012). We also paid higher salaries to our sales people (up PLN1.3m from H1 2012)
- The rise in network costs was connected with higher cost of service of backbone equipment and energy for our networks

Expenses (PLN '000)	**6M 2012**	**6M 2013**	**% change**
programming and copyrights	46 456	53 933	16%
bandwidth	2 131	1 585	-26%
interconnect	9 835	7 611	-23%
network costs	26 151	28 147	8%
sales and marketing	8 319	8 334	0%
payroll and benefits	36 926	47 236	28%
taxes and charges	6 829	7 240	6%
professional services	6 897	4 649	-33%
energy and materials	9 271	10 472	13%
other expenses	13 647	12 688	-7%
Total Expenses	**166 462**	**181 895**	**9%**
OPEX/ RGU /month	16.5	17.1	4%

EBITDA Bridge*



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

Income Statement Year-on-Year

- The net income was adversely impacted by high finance costs (one-off bond-related fees totalling c. PLN30m)
- It was further impacted by the cost of our share incentive programme (PLN6.2m)
- We also had a higher effective tax rate on our gross profit due to changes in deferred tax that were connected with some differences between the carrying value and the tax value of our non-current assets, loans and borrowings and debt securities issued by us

Income Statement (PLN '000)	**6M 2012**	**6M 2013**	**% change**
Revenues	332 489	350 693	5%
Expenses (excl. D&A)	166 462	181 895	9%
Adjusted EBITDA	169 933	179 143	5%
margin	*51.1%*	*51.1%*	-
Operating profit	71 912	65 850	-8%
Net interest	(29 765)	(62 334)	109%
Pretax profit	42 200	3 516	-92%
Tax	12 555	5 233	-
Net income	29 645	(1 717)	-106%

Balance Sheet

Balance Sheet (PLN '000)	31-12-2012	30-06-2013	% change
Assets			
non-current	1 366 669	1 375 905	1%
current	113 327	285 171	152%
incl. cash & equivalents	4 876	171 206	3411%
Total assets	**1 479 995**	**1 661 076**	**12%**
Equity	275 264	140 654	-49%
Liabilities			
non-current	824 819	1 263 129	53%
current	379 912	257 293	-32%
Total equity & liabilities	**1 479 995**	**1 661 076**	**12%**

Capital Expenditures

- We spent ca. PLN 95.8m on capital expenditure in H1 2013
- Our H1 2013 growth CAPEX accounted for 84% of total organic CAPEX
- Our acquisition CAPEX in H1 2013 was attributable to final settlement of former acquisitions of Media Operator and Transmitel

CAPEX (PLN '000)	Q1 2013	Q2 2013	6M 2013
growth	37 500	33 900	71 400
other	8 700	5 400	14 100
acquisitions		10 300	10 300
Total CAPEX	**46 200**	**49 600**	**95 800**

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Recent Events and Outlook

Recent Events

In June, we contracted **bank financing for our M&A activities and organic growth** totalling PLN460mm. We expect to be able to take our market share up from current 18% to some 25% as a result

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Also in June we paid out **dividends totalling PLN132mm**, equal to total 2012 net profit

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Estabishment of collateral for our new bonds totalling PLN1.038bn has been finalized and the bonds are now secured

Upcoming Events

→ Publication of Q3 2013 report: 13 November 2013

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