

Multimedia Polska Group

2016 half-year results



24 August 2016

Disclaimer

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First Half 2016 Highlights

EBITDA

- Our H1 2016 EBITDA* was PLN 169.1m and decreased 3.9% year on year
- Our H1 2016 EBITDA margin was 46.3%

Customers and RGUs

- Our total RGUs reached 1,712,400 at the end of June 2016; up 4.5% year on year
- In the telecom business, we added 45,800 video RGUs, and lost 7,200 broadband RGUs and 16,700 telephony RGUs year on year
- We also added 51,200 other RGUs (comprising all our new services**) year on year
- Our RGU/customer ratio was 2.06, up from 1.99 at the end of June 2015

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

(**) New services comprise energy, gas, home monitoring and insurance services

Second Quarter 2016 Highlights

We gained 21,500 net RGUs*, including

telecom services

- addition of 12,300 video RGUs
- disconnection of 4,200 broadband RGUs
- disconnection of 3,700 voice RGUs

other services

- addition of 17,100 other RGUs

We had 831,500 customers

- 393,200 single play customers
- 309,600 double play customers
- 128,700 multi play** customers

RGU*/ customer rate

- 2.04 in Q1 2016
- 2.06 in Q2 2016

Blended ARPU per customer

- PLN 68.9 in Q1 2016
- PLN 69.9 in Q2 2016

(*) RGUs comprise telecom RGUs and other RGUs (including energy, gas, home monitoring and insurance services)

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

RGU Growth Highlights

Quarter-on-quarter ('000)	Q1 2016	Q2 2016	% change	new adds
video	827	839	1%	12
data	533	529	-1%	(4)
voice	276	272	-1%	(4)
other	55	72	31%	17
Total	1 691	1 712	1%	21

Year-on-year ('000)	Q2 2015	Q2 2016	% change	new adds
video	794	839	6%	46
data	536	529	-1%	(7)
voice	289	272	-6%	(17)
other	21	72	246%	51
Total	1 639	1 712	4%	73

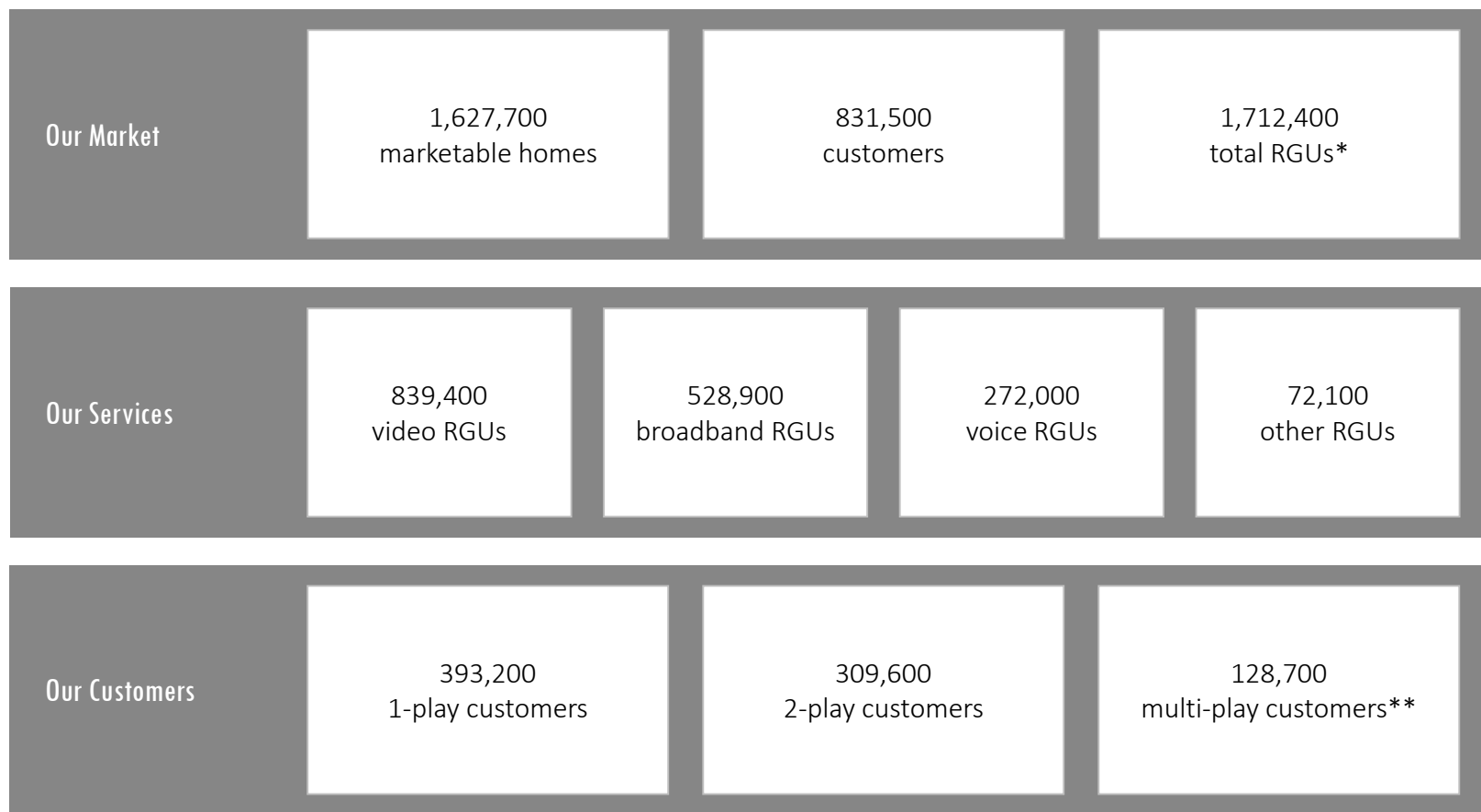
- We continue to post total RGU growth both year on year and quarter on quarter
- The growth in total RGUs year on year was attributable to the development of new services, growth in the video segment, and acquisitions made in towards the end of Q2'15
- There is an increase in our RGUs quarter on quarter in the video segment and other RGUs thanks to accelerated sales of our new non-telco products. In the broadband segment, we continue to operate under strong pressure from LTE providers

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Business Review

Our Customer Base — 30 June 2016



(*) Includes telecom RGUs and other RGUs

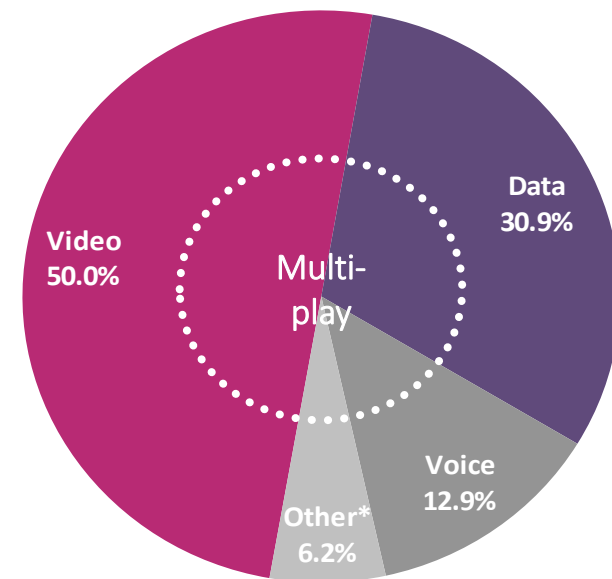
(**) Multi play customers take up three or more services

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, 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 and gas, home monitoring, and insurance services

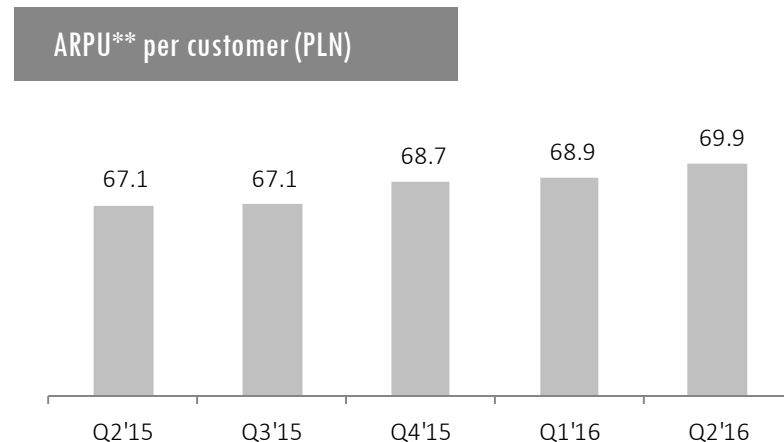
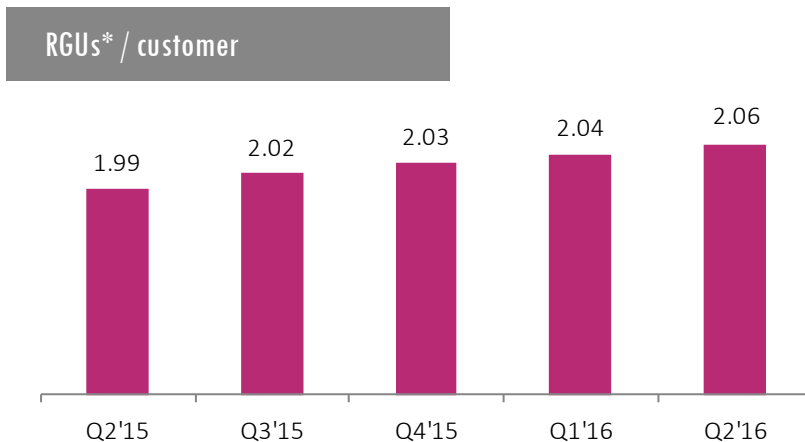
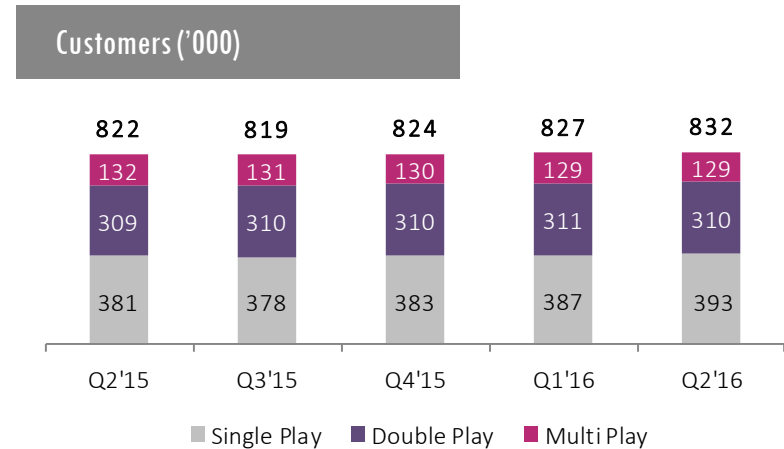
H1 2016 revenue breakdown



(*) 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 increase in customers in Q2'16 is attributable to successful sales of video and new services; the rise in single play customers is connected primarily with new sales outside our physical network presence
- RGU* per customer ratio was up from 2.04 in Q1'16 to 2.06 in Q2'16
- ARPU per customer is on the rise thanks to digitalization of our subscriber base, expansion of our non-core product portfolio and upsell of new services to our customers

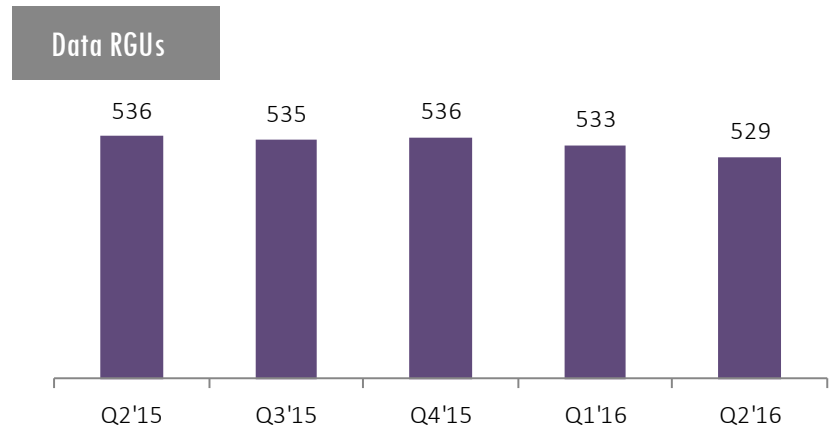
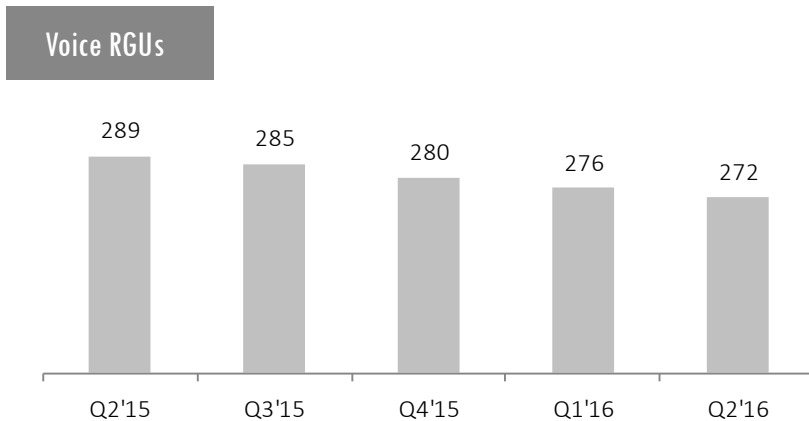
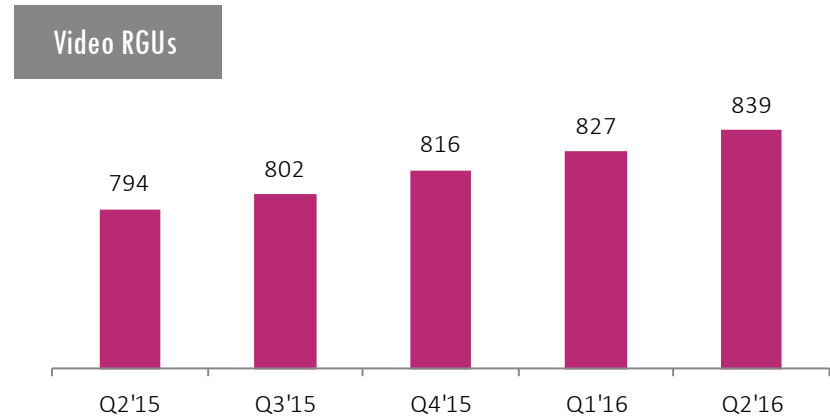


(*) Include telecom RGUs and other RGUs

(**) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related. Please note that Q2-Q3 2015 data has been adjusted according to the newest methodology

Growth of RGU Base

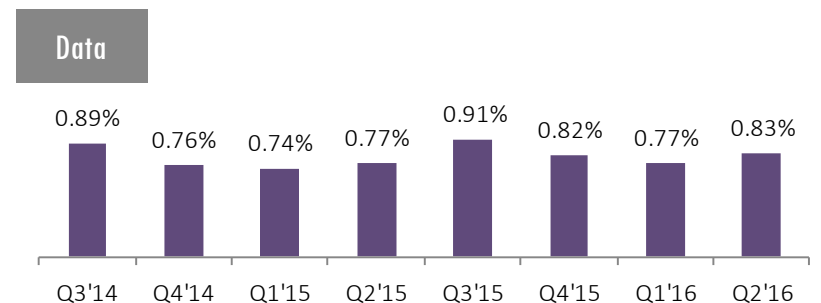
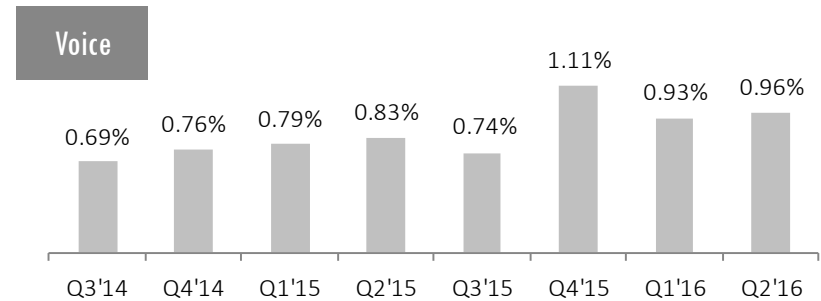
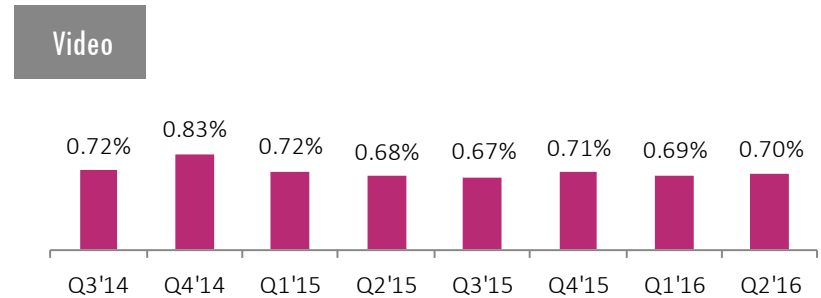
- Our video RGUs are back on a steady upward trend
- In the broadband segment, we continue to face strong pressure from LTE offerings
- Fixed-line voice RGUs decline quarter on quarter. We capture some of the churning customers with our MVNO offering
- Our other services are not illustrated here as the 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

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Financial Review

Revenue Structure Quarterly

Revenues (PLN '000)	Q2 2015	Q1 2016	Q2 2016	y-o-y % change	q-o-q % change
video	87 043	90 225	92 332	6%	2%
internet	55 193	56 680	56 113	2%	-1%
telephony	25 907	24 056	23 160	-11%	-4%
other revenues	7 345	10 042	12 780	74%	27%
Total Revenues	175 488	181 002	184 385	5%	2%

- Our revenues increased year on year and quarter on quarter primarily thanks to growth in our video segment and higher revenues generated on our new services
- We strongly believe our revenues will increase in the coming quarters, particularly on the back of continued development of a more comprehensive integrated offering for our customers, both residential and small and medium-sized businesses
- In Q2'16 we recorded our first revenues from gas sales (disclosed under other revenues together with all our other non-telco services)

Operating Expenses Quarterly

Expenses (PLN '000)	Q2 2015	Q1 2016	Q2 2016	y-o-y % change	q-o-q % change
cost of services sold	40 587	46 211	50 954	26%	10%
network maintenance	14 606	14 314	14 756	1%	3%
subscriber costs	1 734	1 677	1 808	4%	8%
sales and marketing	3 679	1 668	8 166	122%	389%
personnel costs	17 032	18 187	20 085	18%	10%
general management	13 023	12 470	12 290	-6%	-1%
Total Expenses	90 660	94 527	108 058	19%	14%

- The increase in the cost of services sold, both year on year and quarter on quarter, was connected with higher programming and copyright expenses on the back of digitalization of our subscriber base and some small acquisitions, and higher variable costs associated with new services, as well as adverse impact of FX fluctuations (euro and US dollar)
- Our sales and marketing costs increased as a result of our large advertising campaign involving nationwide media
- Personnel costs increased due to expansion of our sales and marketing structures in connection with the development of our product portfolio

Income Statement Quarterly

Income Statement (PLN '000)	Q2 2015	Q1 2016	Q2 2016	Y-o-Y % change	Q-o-Q % change
Revenues	175 488	181 002	184 385	5%	2%
Expenses (excl. D&A)	90 660	94 527	108 058	19%	14%
Adjusted EBITDA	86 789	89 281	79 852	-8%	-11%
<i>margin</i>	49.5%	49.3%	43.3%	-	-
Operating profit	32 773	31 997	25 828	-21%	-19%
Net interest	(15 373)	(16 058)	(17 098)	11%	6%
Profit before tax	17 400	15 939	8 730	-50%	-45%
Income tax	4 829	5 007	7 965	65%	59%
Profit for the period	12 571	10 931	765	-94%	-93%

- Our Adjusted EBITDA declined quarter on quarter because of the increase in expenses driven primarily by higher sales and marketing costs and higher variable costs. It was partially offset by the increase in revenues from video and non-telco services
- Our profit for the period decreased considerably quarter on quarter on the back of the factors described above and also due to adjustment of the current value of previous years' taxes

Revenue Structure and Operating Expenses

Year-on-Year

Revenues (PLN '000)	6M 2015	6M 2016	% change
video	173 669	182 557	5%
internet	110 875	112 793	2%
telephony	52 604	47 215	-10%
other revenues	13 230	22 822	73%
Total Revenues	350 378	365 388	4%

Expenses (PLN '000)	6M 2015	6M 2016	% change
cost of services sold	79 647	97 165	22%
network maintenance	29 318	29 070	-1%
subscriber costs	3 683	3 484	-5%
sales and marketing	5 900	9 834	67%
personnel costs	36 580	38 271	5%
general management	24 757	24 760	0%
Total Expenses	179 884	202 585	13%

- Our video revenues increased by PLN 8.9m year on year. We continue the migration of analogue customers to digital TV
- The broadband segment remains on a rise year on year primarily thanks to acquisitions completed towards the end of H1'15 although growth is limited due to ongoing pressure from LTE offerings
- The rise in other revenues was driven by dynamic sales of our non-telco services
- The cost of services sold increased primarily on the back of programming and copyright expenses, new services, and adverse FX fluctuations
- Overall our expenses were impacted by the appreciation of foreign currencies against the Polish zloty. If the rates were stable from H1'15, our operating expenses in H1'16 would have been c. PLN 3m lower than actually incurred
- The rise in S&M costs was connected with our nationwide advertising campaign
- Personnel costs increased on the back of expansion of our S&M structures in connection with the development of our product portfolio

Income Statement Year-on-Year

Income Statement (PLN '000)	6M 2015	6M 2016	% change
Revenues	350 378	365 388	4%
Expenses (excl. D&A)	179 884	202 585	13%
Adjusted EBITDA	175 928	169 134	-4%
<i>margin</i>	50.2%	46.3%	-
Operating profit	64 956	57 825	-11%
Net interest	(30 966)	(33 156)	7%
Profit before tax	33 990	24 669	-27%
Income tax	9 998	12 972	30%
Profit for the period	23 992	11 697	-51%

- Our Adjusted EBITDA declined year on year because of the increase in expenses driven primarily by higher variable costs and higher sales and marketing spend. It was partially offset by the increase in revenues, primarily from video and non-telco services
- Our profit for the period decreased considerably year on year on the back of the factors described above and also due to adjustment of the current value of previous years' taxes

CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2016	Q2 2016	H1 2016
growth	15 700	30 400	46 000
maintenance	15 700	18 600	34 300
other*	53 800	(10 000)	43 700
acquisitions			
Total CAPEX	85 200	39 000	124 100

- We spent c. PLN 124.1m on capital expenditure in H1'16
- Our H1'16 growth CAPEX accounted for c. 37% of total organic CAPEX
- The negative amount of other CAPEX in Q2'16 was connected with changes in investment liabilities and reconciliation of investment expenditures and fixed assets

Balance Sheet (PLN '000)	31-12-15	30-06-16	% change
Assets			
non-current	1 325 204	1 309 024	-1%
current	395 634	341 559	-14%
incl. cash & equivalents	117 395	56 055	-52%
Total assets	1 720 839	1 650 584	-4%
Equity	239 937	203 101	-15%
Liabilities			
non-current	1 282 355	1 019 272	-21%
current	198 548	428 211	116%
Total equity & liabilities	1 720 839	1 650 584	-4%

- On the balance sheet, our current assets include c. PLN 178m in bank deposits and 56m in cash and equivalents

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

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Outlook

Upcoming Events

Publication of Q3 2016 report

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