

Multimedia Polska Group

2016 first quarter results



11 May 2016

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First Quarter 2016 Highlights

EBITDA

- Our Q1 2016 EBITDA* was PLN 89.3m and increased 0.2% year on year
- We continue to enjoy high EBITDA margin of 49.3%

Customers and RGUs

- Our total RGUs reached 1,691,000 at the end of March 2016; up 4.3% year-on-year
- In the telecom business, we added 41,000 video RGUs and 4,500 broadband RGUs, and lost 15,300 telephony RGUs year on year
- We also added 39,100 other RGUs (comprising all our new services**) year on year
- Our RGU/customer ratio was 2.04

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

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

First Quarter 2016 Highlights

We gained 16,300 net RGUs*, including

telecom services

- addition of 10,800 video RGUs
- disconnection of 2,700 broadband RGUs
- disconnection of 4,500 voice RGUs

other services

- addition of 12,700 other RGUs

We had 826,900 customers

- 387,500 single play customers
- 310,600 double play customers
- 128,900 multi play** customers

RGU*/ customer rate

- 2.03 in Q4 2015
- 2.04 in Q1 2016

Blended ARPU per customer

- PLN 68.7 in Q4 2015
- PLN 69.5 in Q1 2016

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

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

RGU Growth Highlights

Quarter-on-quarter ('000)	Q4 2015	Q1 2016	% change	new adds
video	816	827	1%	11
data	536	533	-1%	(3)
voice	280	276	-2%	(4)
other	42	55	30%	13
Total	1 675	1 691	1%	16

Year-on-year ('000)	Q1 2015	Q1 2016	% change	new adds
video	786	827	5%	41
data	529	533	1%	4
voice	291	276	-5%	(15)
other	16	55	246%	39
Total	1 622	1 691	4%	69

- We are posting RGU growth both year on year and quarter on quarter
- The growth in RGUs year on year was attributable to the development of new services, growth in the video and data segments, and acquisitions made in Q2-Q3 2015
- There is an increase in our RGUs quarter on quarter in the video segment and other RGUs. In the broadband segment, we see some fluctuation due to pressure from LTE offerings and some seasonality

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Business Review

Our Customer Base — 31 March 2016



(*) Includes telecom RGUs and other RGUs

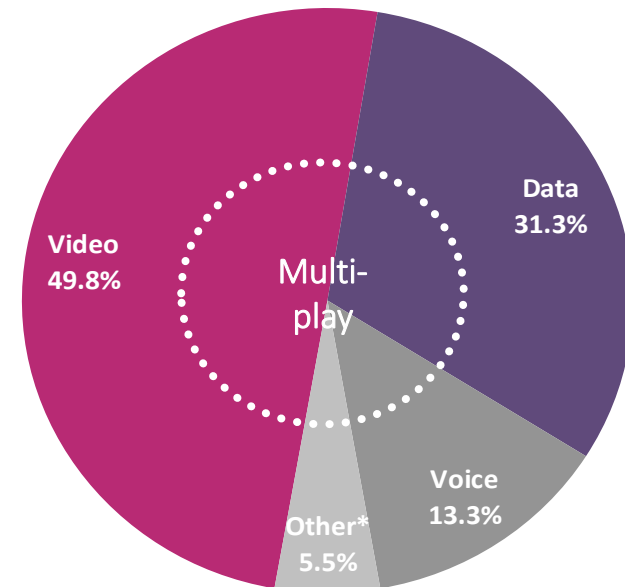
(**) Multi play customers take up three or more services

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, home monitoring, and insurance services

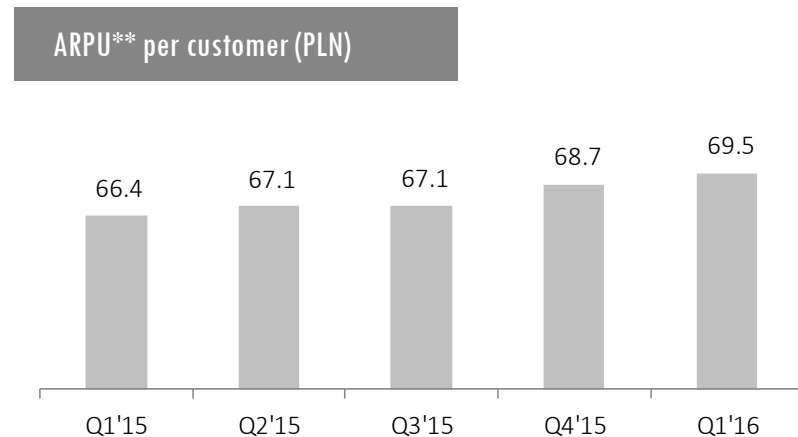
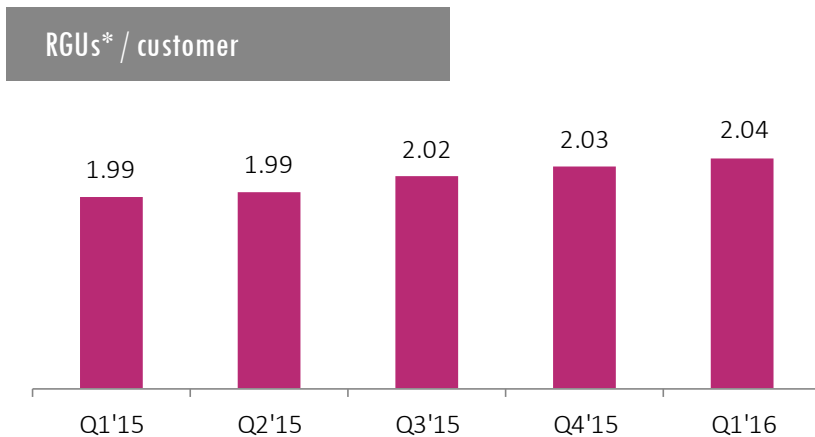
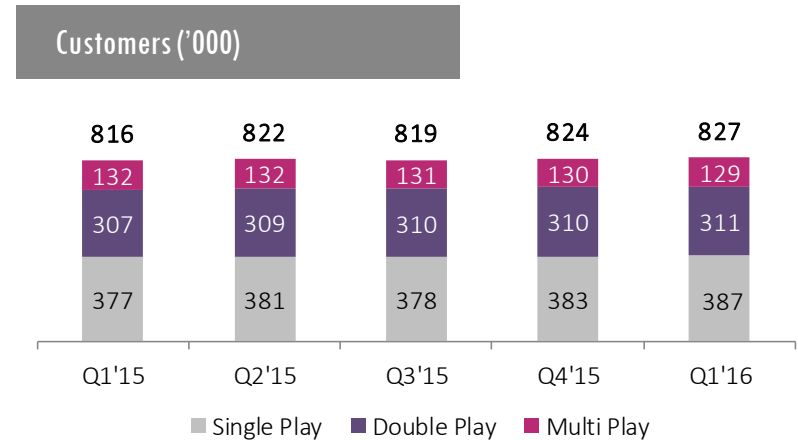
Q1 2016 revenue breakdown



(*) 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 Q1'16 is attributable to successful sales of our core products, particularly video, and new services; the rise in single play customers is connected primarily with new sales outside our physical network presence
- The slight decline in multi play customers is connected with some customers giving up their fixed-line voice service while continuing to take up the other core services in the bundle
- RGU* per customer ratio was up from 2.03 in Q4'15 to 2.04 in Q1'16
- ARPU per customer is on the rise thanks to digitalization of our subscriber base and upsell of new services to our customers

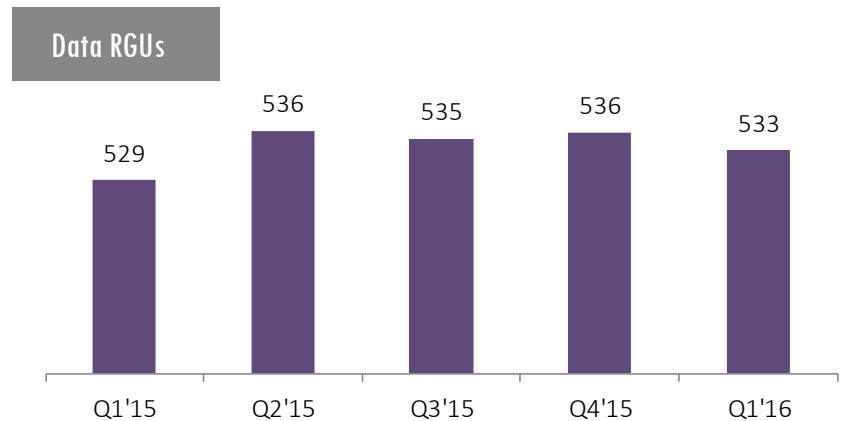
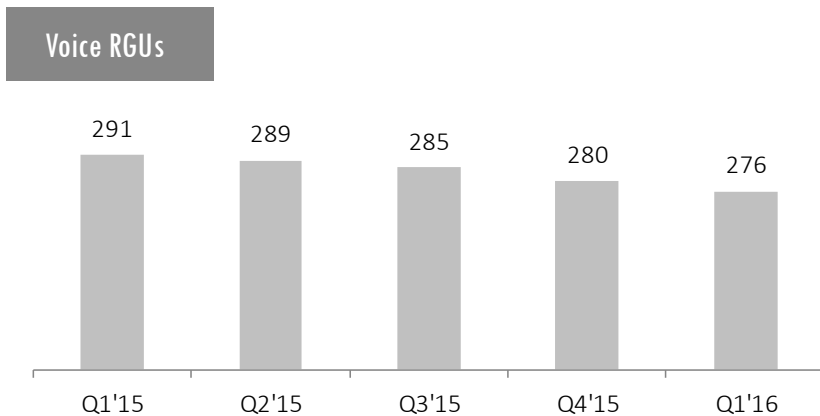
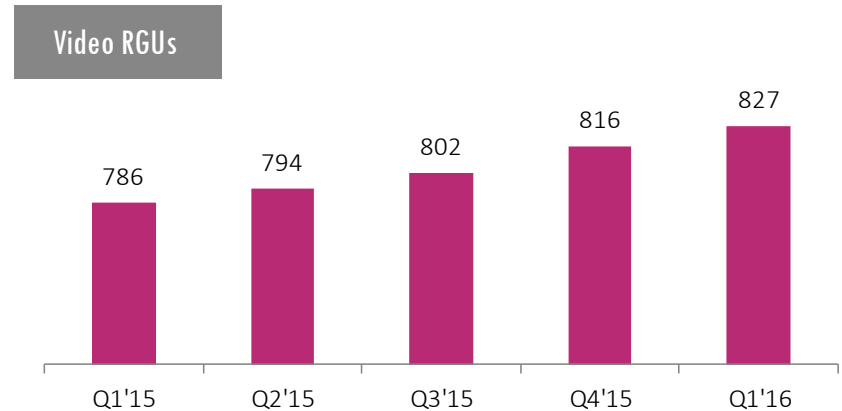


(*) Include telecom RGUs and other RGUs

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

Growth of RGU Base

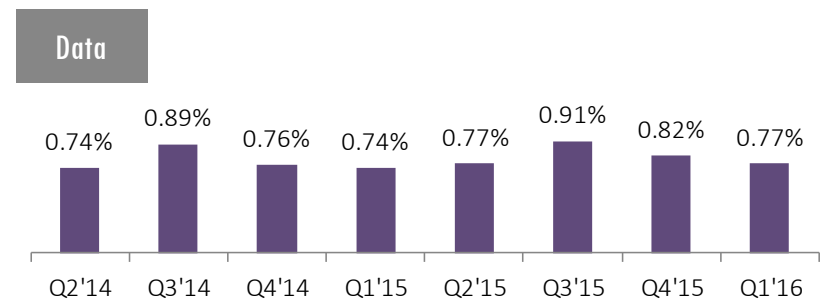
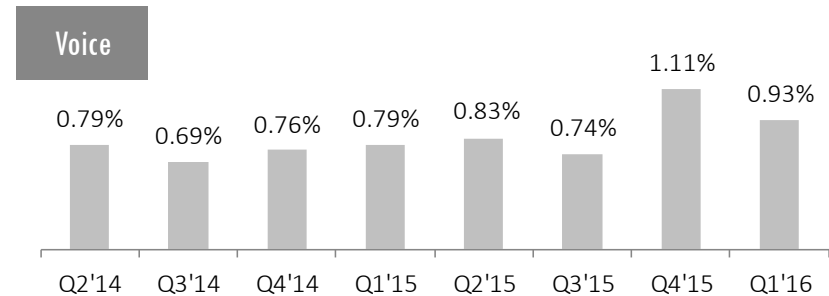
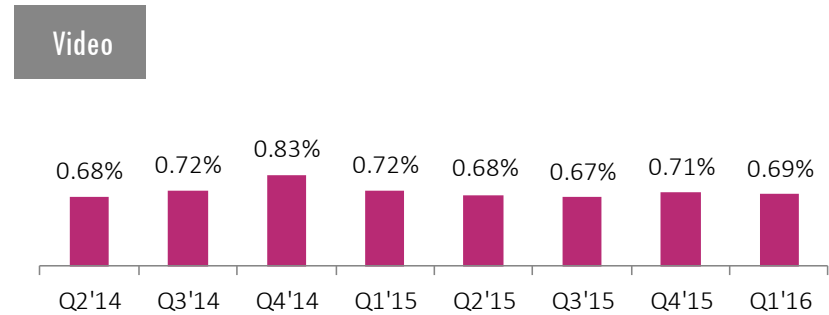
- Our video RGUs are back on a steady upward trend
- In the broadband segment, we see some fluctuation due to pressure from LTE offerings and some seasonality
- Fixed-line voice RGUs decline quarter on quarter. We capture some of the churning customers with our MVNO offering
- Our other services are not illustrated here as the services are still in the initial stage of development



All data in thousands

Churn – 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 was back at the usual level after some seasonal disconnections in Q3'15 due to holiday period
- 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)	Q1 2015	Q4 2015	Q1 2016	y-o-y % change	q-o-q % change
video	86 626	89 515	90 225	4%	1%
internet	55 682	56 943	56 680	2%	0%
telephony	26 697	25 328	24 056	-10%	-5%
other revenues	5 884	10 673	10 042	71%	-6%
Total Revenues	174 890	182 459	181 002	3%	-1%

- Our revenues increased year on year thanks to growth in the video and broadband segments as well as higher revenues generated on our new services
- Quarter on quarter, our revenues dipped slightly due to some decreases in non-customer-based revenues (recognised under 'other revenues') and lower telephony revenues, particularly from wholesale interconnect services
- Our customer-based revenues continue to increase thanks to positive growth trends in our core business services and new products
- 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

Operating Expenses Quarterly

Expenses (PLN '000)	Q1 2015	Q4 2015	Q1 2016	y-o-y % change	q-o-q % change
cost of services sold	39 060	42 223	46 211	18%	9%
network maintenance	14 712	14 140	14 314	-3%	1%
subscriber costs	1 949	1 492	1 677	-14%	12%
sales and marketing	2 221	3 539	1 668	-25%	-53%
personnel costs	19 548	17 054	18 187	-7%	7%
general management	11 734	12 577	12 470	6%	-1%
Total Expenses	89 224	91 025	94 527	6%	4%

- 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 higher variable costs associated with new services
- Our sales and marketing costs declined in Q1'16 because we postponed our ATL campaign to Q2'16
- Personnel costs were low in Q4'15 due to release of a provision for unused annual leave and was back at the usual level in Q1'16

Income Statement Quarterly

Income Statement (PLN '000)	Q1 2015	Q4 2015	Q1 2016	y-o-y % change	q-o-q % change
Revenues	174 890	182 459	181 002	3%	-1%
Expenses (excl. D&A)	89 224	91 025	94 527	6%	4%
Adjusted EBITDA	89 139	93 084	89 281	0%	-4%
<i>margin</i>	<i>51.0%</i>	<i>51.0%</i>	<i>49.3%</i>	-	-
Operating profit	32 184	36 416	31 997	-1%	-12%
Net interest	(15 594)	(15 493)	(16 058)	3%	4%
Profit before tax	16 590	20 923	15 939	-4%	-24%
Income tax	5 168	(27 433)	5 007	-3%	-118%
Profit for the period	11 422	48 356	10 931	-4%	-77%

- Our Adjusted EBITDA declined slightly quarter on quarter because of the slight dip in revenues driven primarily by a decrease in non-customer-generated revenues e.g. from infrastructure leases and wholesale interconnect. There is typically some negative seasonality on revenues in telco and video businesses in the first quarter
- Our profit for the period decreased considerably quarter on quarter due to recognition of income tax as compared to negative income tax recorded in Q4'15 in connection with a higher deferred tax asset being recognized on carry-forward tax losses

CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2015	Q4 2015	Q1 2016
growth	17 300	57 800	15 700
maintenance	13 300	22 000	15 700
other*	10 600	(27 000)	53 800
acquisitions	2 800		
Total CAPEX	44 000	52 800	85 200

Balance Sheet (PLN '000)	31-12-15	31-03-16	% change
Assets			
non-current	1 325 204	1 306 366	-1%
current	395 634	339 836	-14%
incl. cash & equivalents	117 395	82 974	-29%
Total assets	1 720 839	1 646 202	-4%
Equity	239 937	202 335	-16%
Liabilities			
non-current	1 282 355	1 290 747	1%
current	198 548	153 120	-23%
Total equity & liabilities	1 720 839	1 646 202	-4%

- We spent c. PLN 85.2m on capital expenditure in Q1'16
- Our Q1'16 growth CAPEX accounted for c. 18% of total organic CAPEX
- The high level of other CAPEX in Q1'16 was connected with the fact that there was a number of open projects at the end of Q4'15, which resulted in the postponement of payment of a large portion of investment liabilities to Q1'16
- On the balance sheet, our current assets include c. PLN 142m in bank deposits and 83m 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 extended H1 2016 report

24 August 2016

Publication of Q3 2016 report

9 November 2016

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