

# Multimedia Polska Group

## 2015 half-year results



26 August 2015

# 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.

# Changes in Reporting

## Current market environment

- The current dynamics of the telecoms market show strong tendencies towards multi play—outside the typical telecoms bundle
- We continue to expand our business model by adding new services, such as energy, home monitoring and insurance

## Operating KPIs

- Our total RGU base is now split into telecom RGUs (reported until Q4 2014) and other RGUs (comprising all our new services)
- The term ‘unique subscribers’ has been replaced with ‘customers’ to include users of new services which are not strictly subscription based
- The group of ‘triple play’ subscribers has been expanded to include customers who take up three or more services and is referred to as ‘multi play’

## Measures taken to ensure accuracy going forward

- As we start to create bundles of services outside the scope of the typical triple play, we may be allocating discounts to particular services at our discretion. This could lead to gross misinterpretation of our results if each segment was to be analysed separately, particularly during a stronger push to sell a certain product or service or if the entire discount on the bundle was allocated to just one product in that bundle. Hence, we have removed some operating statistics reported until Q4 2014 (ARPU per RGU) due to possible non-comparability of segment-specific data, and we focus on other KPIs instead (ARPU per customer).
- In order to provide the most accurate data, in calculating ARPU per customer we disregard other revenues that are not strictly customer-related; hence, some minor differences may occur between ARPU per subscriber reported previously and ARPU per customer reported as from Q1 2015 (and adjusted retrospectively in this presentation on slide 10).

# First Half 2015 Highlights

## EBITDA

- Our H1 2015 EBITDA\* was PLN 166.1m and decreased 6% year-on-year largely due to the appreciation of the US dollar in H1'15
- We continue to enjoy high EBITDA margin of 47.4%

## Customers and RGUs

- Our total RGUs reached 1,639,200 at the end of June 2015; up 5% year-on-year
- In the telecom business, we added 34,700 video RGUs and 20,400 broadband RGUs, and lost 500 telephony RGUs year-on-year
- We also added 20,100 other RGUs (comprising all our new services\*\*) year-on-year
- Our RGU/customer ratio was 1.99

## Comparability of data

- Please note that as from Q1 2015 we have commenced reporting our non-core business RGUs, referred to as 'other RGUs' and we have changed the scope of our reporting as a result of the impact of new services on our overall business and the possible non-comparability of data (see slide 3). Our basic split is into telecom and other RGUs, and telecom RGUs comprise video, broadband and voice RGUs reported until Q4'14, while other RGUs comprise energy, home monitoring and insurance services.
- With respect to the financial statements, we reallocated some personnel costs, related directly to subscriber acquisition costs (SAC), also retrospectively, throughout the life of the product to which they pertain, in accordance with IFRS. This translated into a minor decline in costs in 2014; hence, there was some impact on our income statement (profit for the period) and balance sheet.

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

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

# Second Quarter 2015 Highlights

We gained 17,600 net RGUs\*, including

## telecom services

- addition of 7,500 video RGUs
- addition of 7,400 broadband RGUs
- disconnection of 2,300 voice RGUs

## other services

- addition of 5,000 other RGUs

We had 821,800 customers

- 381,200 single play customers
- 309,100 double play customers
- 131,500 multi play\*\* customers

RGU\*/ customer rate

1.99 in Q1 2015

1.99 in Q2 2015

Blended ARPU\*\*\* per customer

PLN 66.4 in Q1 2015

PLN 66.4 in Q2 2015

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

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

(\*\*\*) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related (see slide 3)

# RGU Growth Highlights

Quarter-on-quarter ('000)	Q1 2015	Q2 2015	% change	new adds
video	786	794	1%	7
data	529	536	1%	7
voice	291	289	-1%	(2)
other	16	21	31%	5
<b>Total</b>	<b>1 622</b>	<b>1 639</b>	<b>1%</b>	<b>18</b>

Year-on-year ('000)	Q2 2014	Q2 2015	% change	new adds
video	759	794	5%	35
data	516	536	4%	20
voice	289	289	0%	(.5)
other	1	21	-	20
<b>Total</b>	<b>1 565</b>	<b>1 639</b>	<b>5%</b>	<b>75</b>

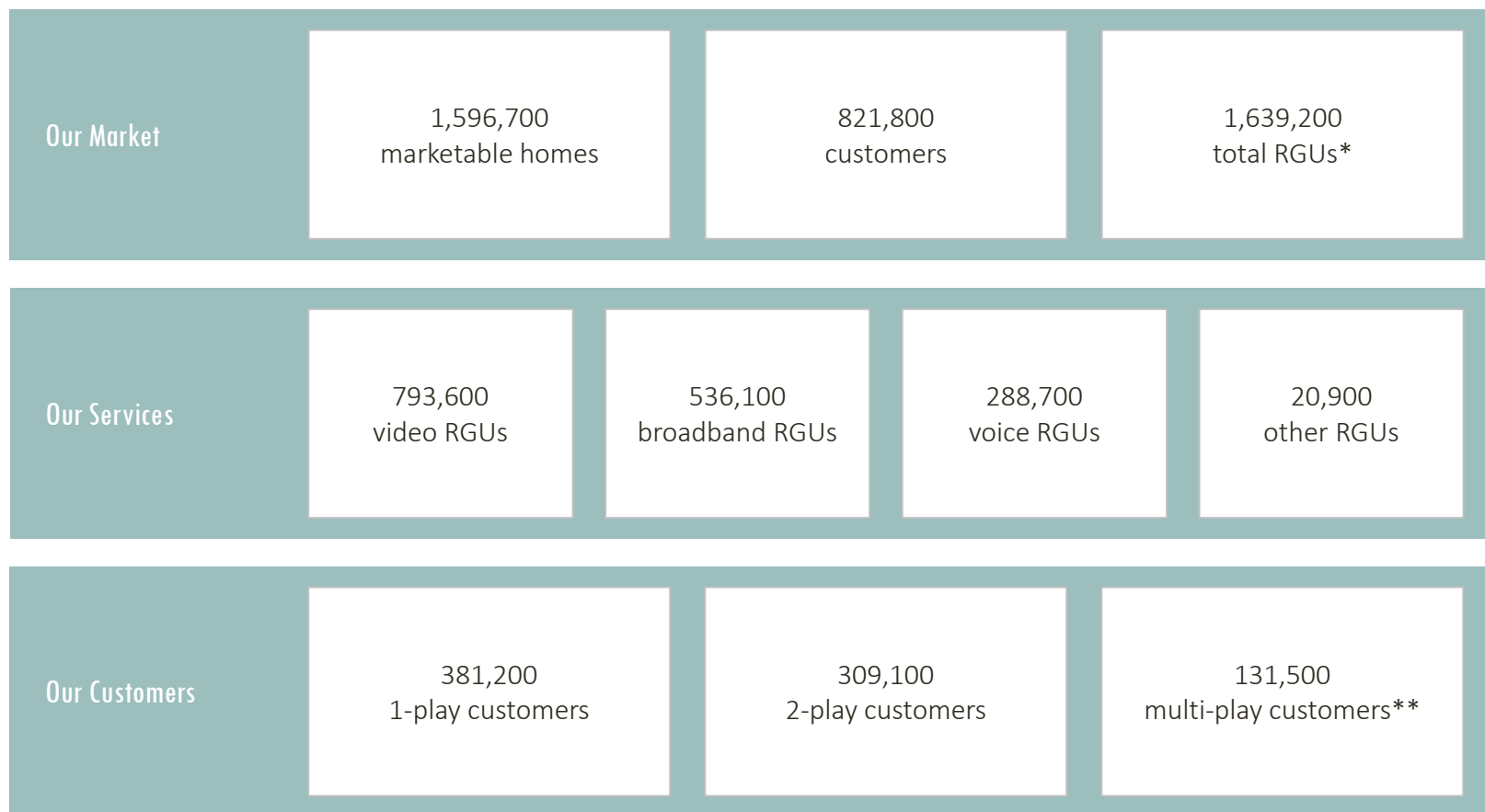
- We are posting RGU growth both year-on-year and quarter-on-quarter. The growth in RGUs was attributable to acquisitions, growth in the video and data segments and the development of new services
- We made four small-size acquisitions in H1'15. Most of the acquired RGUs were migrated during and towards the end of Q2'15

# Multimedia Polska Group



**Business Review**

# Our Customer Base — 30 June 2015



(\*) Includes telecom RGUs and other RGUs

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

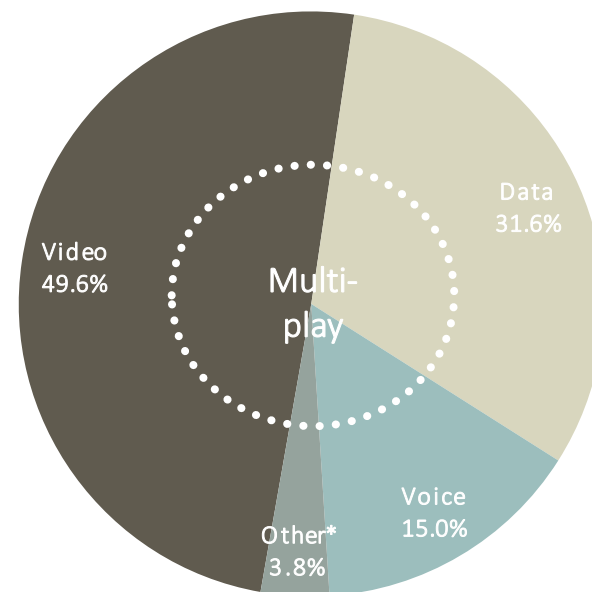


# Our Products Today

## 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 and nDTV, 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

## H1 2015 revenue breakdown

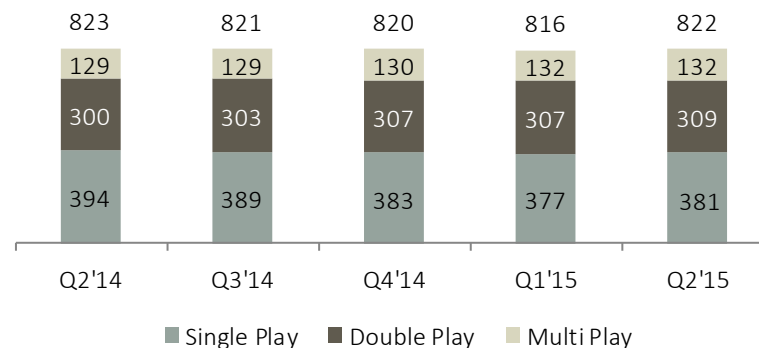


(\*) Other revenues include lease income, licence fees, revenue from production of programming, other subscriber-generated and interoperator revenues, and revenues from our new services

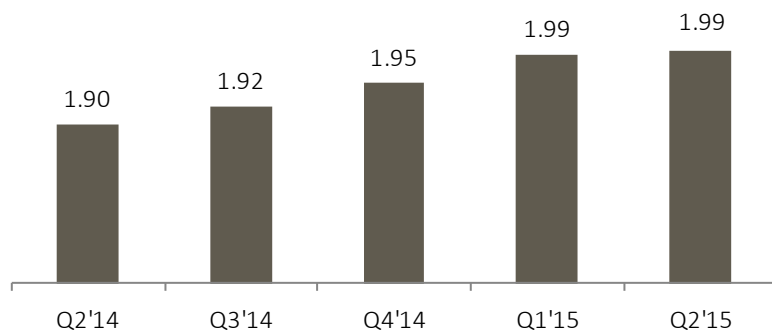
# Customers and ARPU

- The increase in customers in Q2'15 is attributable to our recent small-size acquisitions and the successful sales of our new services
- RGU\* per customer ratio was stable at 1.99 in both Q1'15 and Q2'15
- ARPU per customer was stable quarter on quarter because the customers we acquired generated lower ARPU and the ARPU on our new services is still evolving

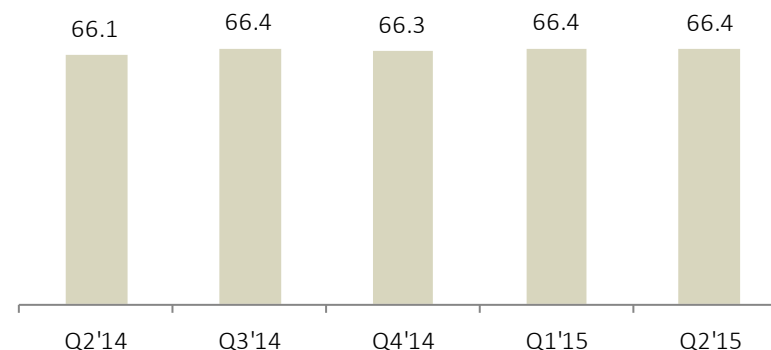
Customers ('000)



RGUs\* / customer



ARPU\*\* per customer (PLN)

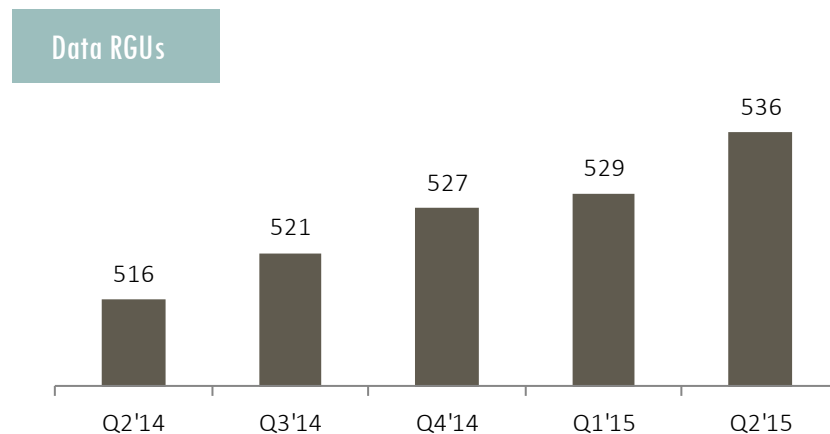
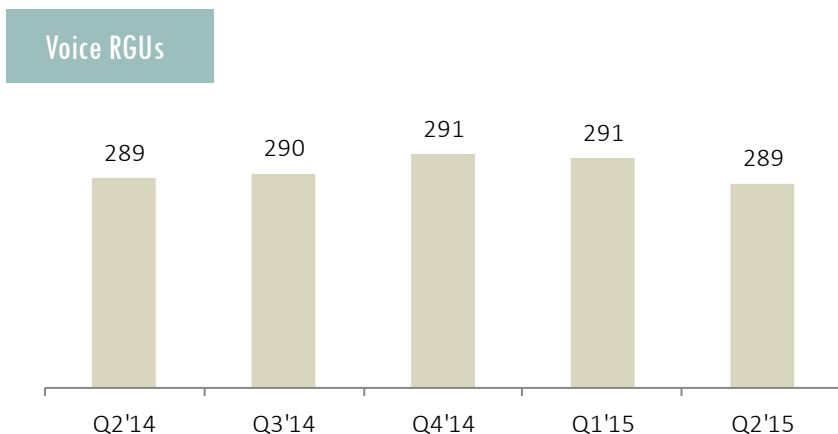
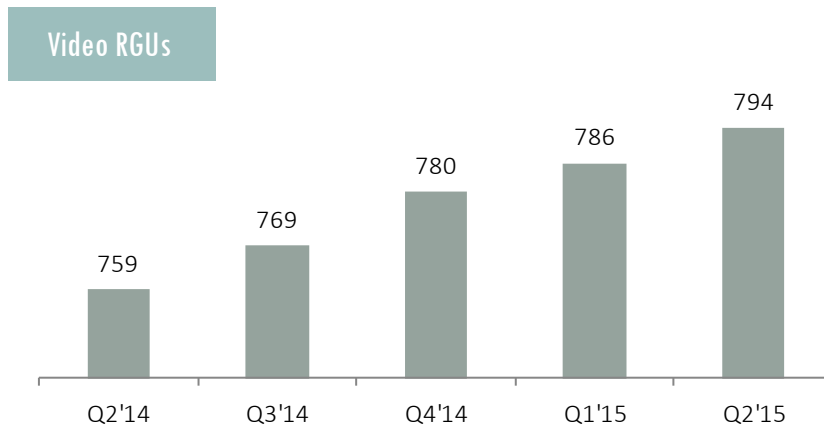


(\*) Include telecom RGUs and other RGUs

(\*\*) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related (see slide 3)

# Growth of RGU Base

- Our video RGUs are back on a steady upward trend, also generated by small-size acquisitions
- We are seeing very good growth in the broadband segment
- Voice RGUs declined slightly quarter-on-quarter
- Our other services are not illustrated here as the services are still in the initial stage of development

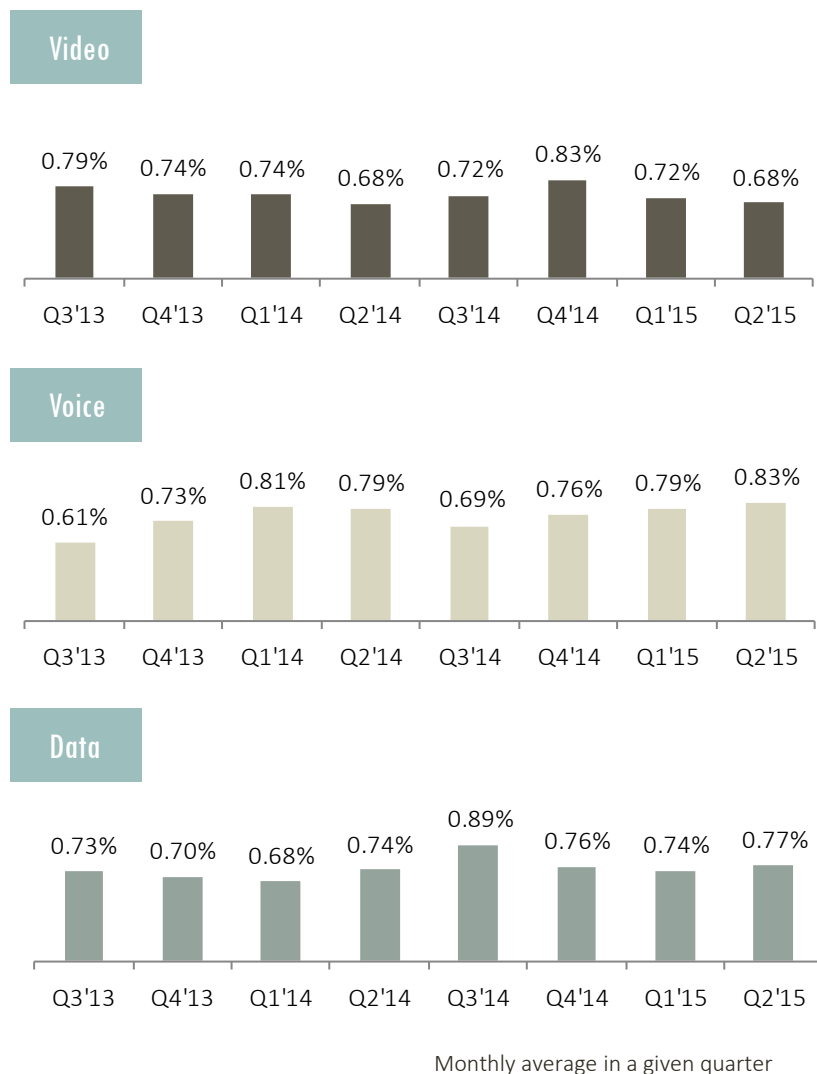


All data in thousands

# 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 had slightly higher churn in video services in Q4'14 due to changes to programming content (replacement of selected channels). The rate was back on track in Q1'15 and Q2'15
- 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 is impacted by competitive pressure from mobile operators who continue to develop their offering of mobile broadband without data transfer limits

**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



# Multimedia Polska Group



**Financial Review**

# Revenue Structure Quarterly

Revenues (PLN '000)	Q2 2014	Q1 2015	Q2 2015	y-o-y % change	q-o-q % change
video	86 905	86 626	87 043	0%	0%
internet	55 176	55 682	55 193	0%	-1%
telephony	27 379	26 697	25 907	-5%	-3%
other revenues	6 158	5 884	7 345	19%	25%
<b>Total Revenues</b>	<b>175 617</b>	<b>174 890</b>	<b>175 488</b>	<b>0%</b>	<b>0%</b>

- Our revenues were stable year-on-year and quarter-on-quarter. The increase of other revenues was attributable to revenues generated on our new services
- We strongly believe our revenues will increase in the coming quarters on the back of the development of our new products, and also thanks to the positive impact of seasonality in the second half of the year

# Operating Expenses Quarterly

Expenses (PLN '000)	Q2 2014	Q1 2015	Q2 2015	y-o-y % change	q-o-q % change
cost of services sold	35 078	39 060	40 587	16%	4%
network maintenance	15 514	14 712	14 606	-6%	-1%
subscriber costs	2 548	1 949	1 734	-32%	-11%
sales and marketing	12 958	7 270	8 382	-35%	15%
personnel costs	19 991	19 528	17 108	-14%	-12%
general management	11 877	11 734	13 023	10%	11%
<b>Total Expenses</b>	<b>97 966</b>	<b>94 253</b>	<b>95 440</b>	<b>-3%</b>	<b>1%</b>

- The cost of services sold comprises the items reported until Q4'14, i.e. programming and copyrights, variable costs of Internet services (incl. bandwidth), interconnect and WLR fees, and new projects
- In Q2'15 the cost of services sold was impacted by the appreciation of foreign currencies, mainly the US dollar. If the F/X rates were stable from 2014, our operating expenses in Q2'15 would have been c. PLN 2m lower than actually incurred. Other factors that contributed to the increase in the cost of services sold were higher programming and copyright expenses incurred as a result of acquisitions and digitalization of our subscriber base, and costs of new services
- The largest decline quarter-on-quarter was recorded in our personnel costs (PLN 2.4m) as we accounted for additional remuneration for top management in Q1'15. The largest increase was in general management expenses (PLN 1.3m) where we accounted for some acquisition-related costs
- Please note that our Q2'14 have been restated due to the allocation of personnel costs throughout product life in accordance with IFRS (see slide 16)

# Income Statement Quarterly

Income Statement (PLN '000)	Q2 2014	Q1 2015	Q2 2015	y-o-y % change	q-o-q % change
Revenues	175 617	174 890	175 488	0%	0%
Expenses (excl. D&A)	97 966	94 253	95 440	-3%	1%
Adjusted EBITDA	84 878	84 110	82 009	-3%	-2%
<i>margin</i>	48.3%	48.1%	46.7%	-	-
Operating profit	31 586	32 204	32 696	4%	2%
Net interest	(15 932)	(15 594)	(15 373)	-4%	-1%
Profit before tax	15 654	16 610	17 323	11%	4%
Income tax	4 238	5 162	4 825	14%	-7%
Profit for the period	11 416	11 448	12 498	9%	9%

- Our income statement data for 2014 has been restated. In Q1'15 we reallocated some personnel costs—related directly to subscriber acquisition costs (SAC)—throughout the life of the product to which they pertain in accordance with IFRS. This was also done retrospectively and translated into a minor decline in costs in 2014 and, consequently, there was some impact on our profit for the period. This change in accounting will continue going forward
- Quarter-on-quarter, our income statement was stable and profit for the period increased PLN 1m (9%)
- Please note that our Adjusted EBITDA for Q1'15 is different from the Q1'15 Adjusted EBITDA published previously because of a retrospective adjustment resulting from the auditors' review of H1'15 results. The Q1'15 Adjusted EBITDA presented above is fully comparable to the Q2'15 Adjusted EBITDA



# Revenue Structure and Operating Expenses Year-on-Year

Revenues (PLN '000)	6M 2014	6M 2015	% change
video	173 719	173 669	0%
internet	109 952	110 875	1%
telephony	54 501	52 604	-3%
other revenues	13 170	13 230	0%
<b>Total Revenues</b>	<b>351 342</b>	<b>350 378</b>	<b>0%</b>

- Our video revenues were stable year-on-year. We continue on with the migration of analogue customers to digital TV
- The broadband segment has slowed down somewhat on the back of the competitive pressure from mobile operators and their no-limit LTE offerings but remains on a slight rise

Expenses (PLN '000)	6M 2014	6M 2015	% change
cost of services sold	69 098	79 647	15%
network maintenance	30 625	29 318	-4%
subscriber costs	4 428	3 683	-17%
sales and marketing	21 224	15 652	-26%
personnel costs	36 207	36 637	1%
general management	26 718	24 757	-7%
<b>Total Expenses</b>	<b>188 300</b>	<b>189 694</b>	<b>1%</b>

- The cost of services sold increased primarily on the back of unfavourable F/X fluctuations, and also programming and copyright expenses incurred as a result of acquisitions and costs of new services
- Overall our expenses were impacted by the appreciation of foreign currencies against the Polish zloty. If the rates were stable from 2014, our operating expenses in H1'15 would have been c. PLN 4.4m lower than actually incurred
- The decline in S&M costs was related to the high level of those costs in H1'14 when we ran large advertising campaigns and incurred IPO-related expenses
- The fall in general management expenses was also connected with a high level of those costs in H1'14 due to IPO

# Income Statement Year-on-Year

Income Statement (PLN '000)	6M 2014	6M 2015	% change
Revenues	351 342	350 378	0%
Expenses (excl. D&A)	188 300	189 694	1%
Adjusted EBITDA	177 300	166 119	-6%
<i>margin</i>	<i>50.5%</i>	<i>47.4%</i>	-
Operating profit	66 691	64 900	-3%
Net interest	(30 827)	(30 966)	0%
Profit before tax	35 864	33 933	-5%
Income tax	10 960	9 987	-9%
Profit for the period	24 904	23 946	-4%

- Please note that the level of our expenses in H1'15 was heavily impacted by unfavourable foreign exchange rates (c. PLN 4.4m negative impact in H1'15)
- If the F/X rates were at the levels recorded in 2014, our EBITDA would have been on a slight rise (up PLN 1m or 0.6%) and our Adjusted EBITDA would have been down by PLN 6.8m or 4% instead of 6%

# CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2015	Q2 2015	H1 2015
growth	17 300	28 400	45 700
maintenance	9 000	11 700	20 700
other*	10 600	1 700	12 300
acquisitions	2 800	20 500	23 300
<b>Total CAPEX</b>	<b>39 700</b>	<b>62 300</b>	<b>102 000</b>

- We spent c. PLN 102.0m on capital expenditure in H1'15
- Our H1'15 growth CAPEX accounted for c. 58% of total organic CAPEX
- Our acquisition CAPEX in H1'15 was attributable to four small-sized acquisitions

Balance Sheet (PLN '000)	31-12-14	30-06-15	% change
Assets			
non-current	1 242 690	1 257 245	1%
current	404 815	311 631	-23%
incl. cash & equivalents	200 262	32 380	-84%
<b>Total assets</b>	<b>1 647 505</b>	<b>1 568 876</b>	<b>-5%</b>
Equity	204 690	177 351	-13%
Liabilities			
non-current	1 199 098	1 238 998	3%
current	243 717	152 526	-37%
<b>Total equity &amp; liabilities</b>	<b>1 647 505</b>	<b>1 568 876</b>	<b>-5%</b>

- Our balance sheet data has been restated for 2014 year-end. We reallocated some personnel costs, related directly to subscriber acquisition costs (SAC), also retrospectively, throughout the life of the product to which they pertain, in accordance with IFRS. This impacted all items presented in the table as of 31 December 2014, except cash and equivalents
- Our current assets include c. PLN 172m in bank deposits

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

# Multimedia Polska Group



**Recent Events and Outlook**

# Recent Events

In March 2015, we paid c. PLN 51.3m in dividends from 2014 profits

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In May 2015, we convened a Bondholders' Meeting for holders of series MMP004100520 Bonds. There were two adjournments in the meeting, and eventually due to holiday season the meeting was closed without voting on any resolutions

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In June 2015, we amended our Facilities Agreement, extending the availability of the facilities and introducing Multimedia Polska BBI S.A. to the Agreement as a related party and as a guarantor

# Upcoming Events

Publication of Q3 2015 report

11 November 2015

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Or visit our Investor Relations website

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