Multimedia Polska Group

2015 fourth quarter and FY results

29 February 2016

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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 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 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 2015 (and adjusted retrospectively in this presentation on slide 10).

2015 Highlights

EBITDA

- Our FY 2015 EBITDA* was PLN 356.1m and decreased 5% year-on-year largely due to the appreciation of the US dollar and euro in 2015
- We continue to enjoy high EBITDA margin of 50.2%

Customers and RGUs

- Our total RGUs reached 1,674,647 at the end of December 2015; up 4.8% year-on-year
- In the telecom business, we added 36,506 video RGUs and 8,926 broadband RGUs, and lost 11,189 telephony RGUs year-on-year
- We also added 39,490 other RGUs (comprising all our new services**) year-on-year
- Our RGU/customer ratio was 2.03

Comparability of data

- Please note that as of 2015 we report 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 2014, while other RGUs comprise energy, home monitoring and insurance services.
- With respect to the financial statements, we have a subscriber acquisition cost (SAC) adjustment throughout 2015 and comparable data for 2014 (restated data) according to IFRS due to changes to our accounting policy. According to the current accounting policy, subscriber acquisition costs are recognized throughout the duration of customer contract while before SAC was recognized when incurred. The new policy allows for a more aligned analysis of revenues and costs recognized over the periods to which they pertain (for more information see Note 7 to Consolidated Financial Statements).

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

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

Fourth Quarter 2015 Highlights

We gained 23,700 net RGUs*, including

telecom services

- addition of 14,200 video RGUs
- addition of 900 broadband RGUs
- disconnection of 5,300 voice RGUs

other services

- addition of 13,900 other RGUs

RGU*/ customer rate

2.02 in Q3 2015

2.03 in Q4 2015

We had 824,100customers

383,300 single play customers

310,500 double play customers

130,300 multi play** customers

Blended ARPU*** per customer

PLN 67.1 in Q3 2015

PLN 68.7 in Q4 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). Please note that Q3 2015 data has been adjusted once again in this presentation according to the newest methodology

RGU Growth Highlights

Quarter-on-quarter ('000)	Q3 2015	Q4 2015	% change	new adds
video	802	816	2%	14
data	535	536	0%	1
voice	285	280	-2%	(5)
other	28	42	49%	14
Total	1 651	1 675	1%	24

Year-on-year ('000)	Q4 2014	Q4 2015	% change	new adds
video	780	816	5%	37
data	527	536	2%	9
voice	291	280	-4%	(11)
other	3	42	-	39
Total	1 601	1 675	5%	74

- We are posting RGU growth both year-on-year and quarter-on-quarter
- The growth in RGUs year-on-year was attributable to acquisitions, growth in the video and data segments and the development of new services
- We made four small-size acquisitions in 2015. Most of the acquired RGUs were migrated in Q2’15 and Q3’15
- There is an increase in our data RGUs quarter-on-quarter, as expected, partly as a result of re-connection of students coming back from holidays

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Business Review

Our Customer Base — 31 December 2015

Our Market	1,616,800 marketable homes	824,100 customers	1,674,600 total RGUs*	
Our Services	816,500 video RGUs	535,800 broadband RGUs	280,100 voice RGUs	42,300 other RGUs
Our Customers	383,300 1-play customers	310,500 2-play customers	130,300 multi-play customers**	

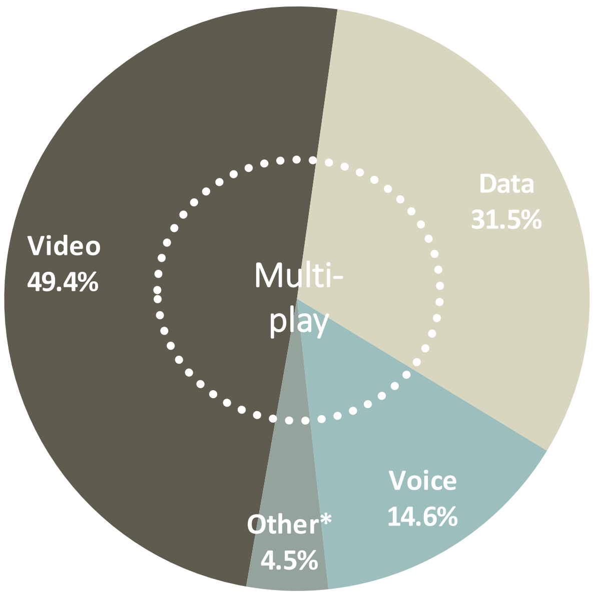
(*) Includes telecom RGUs and other RGUs
(**) Multi play customers take up three or more services

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

FY 2015 revenue breakdown

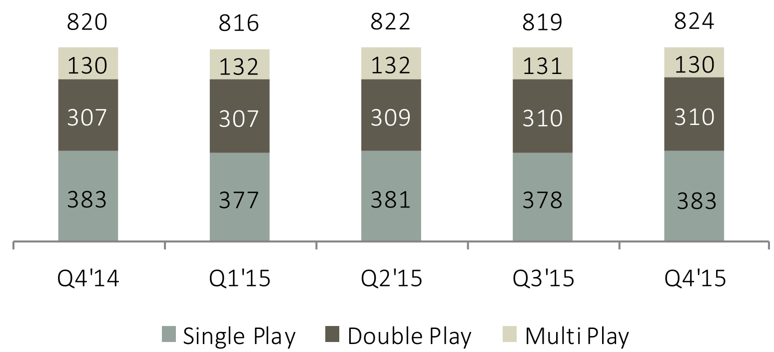


(*) Other revenues include lease income, licence fees, revenue from production of programming, other subscriber-generated and interoperator revenues, and revenues from our new services

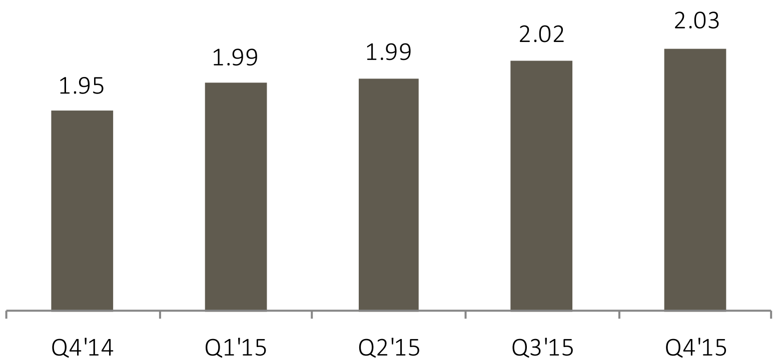
Customers and ARPU

- The increase in customers in Q4’15 is attributable to successful sales of our core products and new services
- It is further connected with seasonality—reconnection of students coming back from holidays
- RGU* per customer ratio was up from 2.02 in Q3’15 to 2.03 in Q4’15
- ARPU per customer is on the rise thanks to digitalization of our subscriber base and upsell of new services to our customers

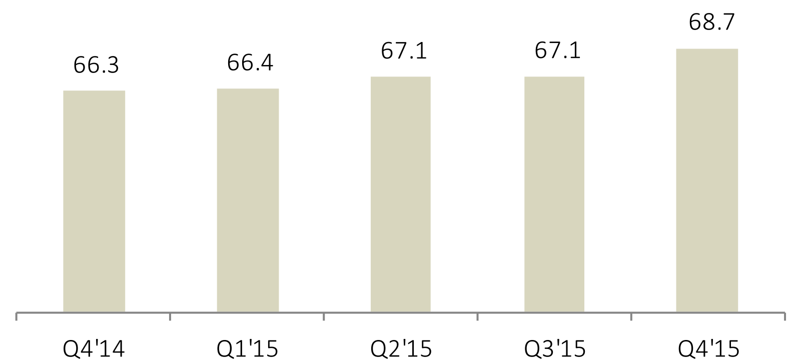
Customers (’000)



RGUs* / customer



ARPU** per customer (PLN)

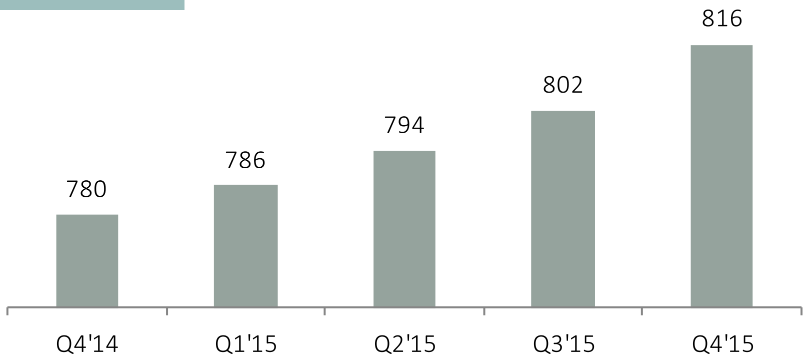


(*) Include telecom RGUs and other RGUs
(**) Calculated based on restated customer-based revenues, i.e. excluding other revenues that are not strictly customer-related (see slide 3). Please note that Q2-Q3 2015 data has been adjusted once again in this presentation according to the newest methodology

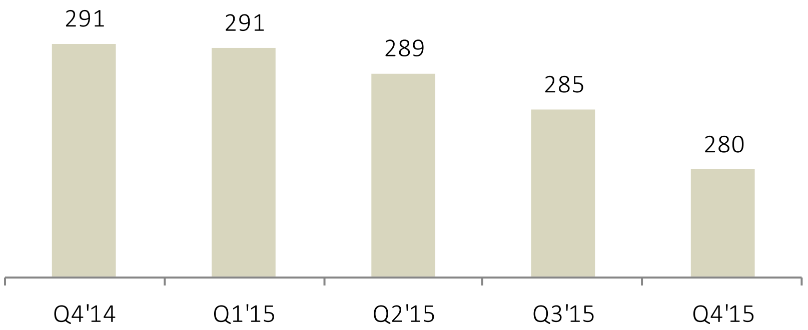
Growth of RGU Base

- Our video RGUs are back on a steady upward trend thanks to higher uptake of the service and acquisitions delivered in 2015
- After a temporary drop in the broadband segment, data RGUs are back at the pre-summer level thanks to reconnections of students coming back from holidays
- 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

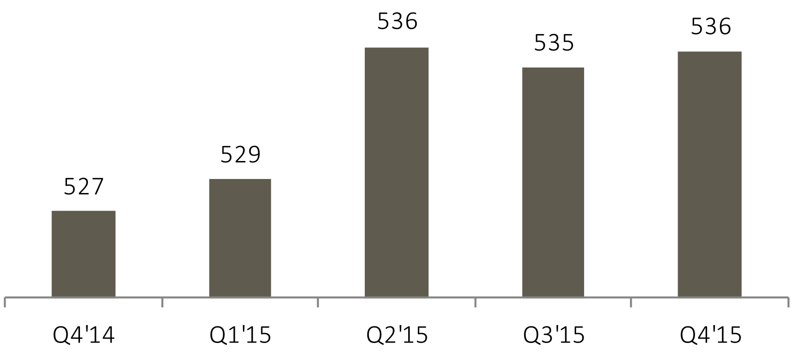
Video RGUs



Voice RGUs



Data RGUs



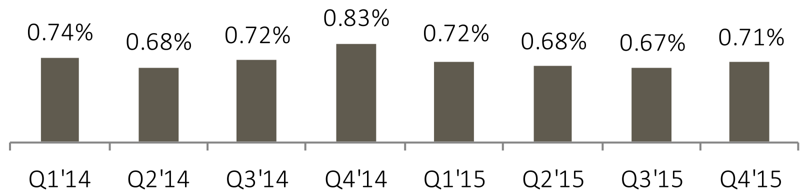
All data in thousands

Churn – under control due to service bundling

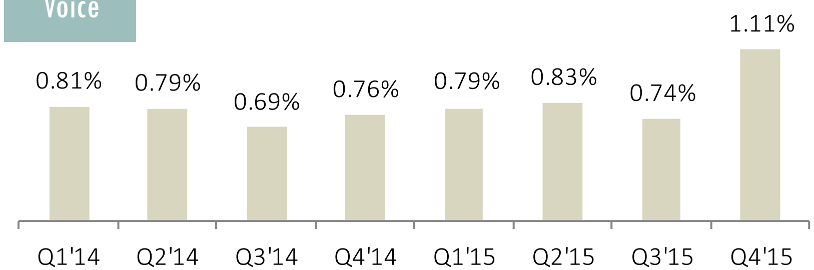
- Reducing churn continues to be one of our strategic objectives. We believe attractive products and pricing are the key to success alongside high quality of both services and customer care. We also believe that promoting multi-play will allow us to continue to keep the churn rates under control
- We 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 decreased as expected in Q4’15 as there are no seasonal disconnections in that period. The churn rate was slightly higher than in the pre-summer period due to continued competitive pressure from mobile operators who offer mobile broadband without data transfer limits
- Please note that data and voice churn rates illustrated here exclude mobile services. We manage to capture 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

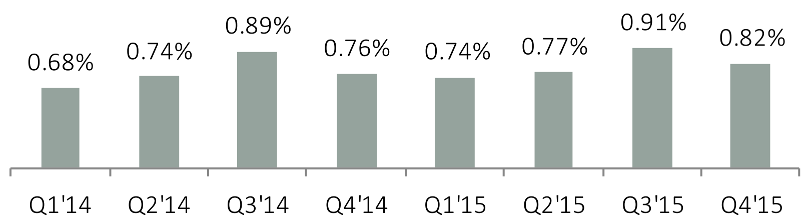
Video



Voice



Data



Monthly average in a given quarter

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Financial Review

Revenue Structure Quarterly

Revenues (PLN '000)	Q4 2014	Q3 2015	Q4 2015	y-o-y % change	q-o-q % change
video	86 944	87 531	89 515	3%	2%
internet	55 339	55 665	56 943	3%	2%
telephony	27 201	25 497	25 328	-7%	-1%
other revenues	9 835	7 943	10 673	9%	34%
Total Revenues	**179 319**	**176 636**	**182 459**	**2%**	**3%**

- Our revenues increased both year-on-year and quarter-on-quarter thanks to growth in the video and broadband segments as well as higher revenues generated on our new services
- We strongly believe our revenues will increase further in the coming quarters, particularly on the back of the development of a more comprehensive integrated offering for our customers, both individual clients and small and medium-sized businesses

Operating Expenses Quarterly

Expenses (PLN '000)	Q4 2014	Q3 2015	Q4 2015	y-o-y % change	q-o-q % change
cost of services sold	38 810	41 398	42 223	9%	2%
network maintenance	14 539	14 655	14 140	-3%	-4%
subscriber costs	1 708	1 899	1 492	-13%	-21%
sales and marketing	2 922	2 657	3 539	21%	33%
personnel costs	13 599	15 991	17 054	25%	7%
general management	11 866	13 426	12 577	6%	-6%
Total Expenses	83 445	90 025	91 025	9%	1%

- In Q4'15 the cost of services sold was impacted by the appreciation of foreign currencies, mainly the US dollar and the euro compared to Q4'14. If the F/X rates were stable from 2014, our operating expenses in Q4'15 would have been c. PLN 2m lower than actually incurred. Another factor that contributed to the increase in the cost of services sold were the costs of new services
- Our sales and marketing and personnel costs increased as a result of the expansion of our product portfolio
- The largest declines quarter-on-quarter were recorded in our general management costs (PLN 0.8m), network maintenance costs (PLN 0.5m), and subscriber costs (PLN 0.4m). The fall in general management costs was connected with the recognition of some costs related to our acquisitions until Q3'15, the decrease in network maintenance costs was connected with lower cost of repairs, and the decline in subscriber costs was attributable to lower costs of invoice delivery to our subscribers (cost optimizations)
- Please note that our personnel costs have been restated due to the allocation of personnel costs throughout product life in accordance with IFRS (see slide 16). The data presented in the table for each period is fully comparable

Income Statement Quarterly

Income Statement (PLN '000)	Q4 2014	Q3 2015	Q4 2015	y-o-y % change	q-o-q % change
Revenues	179 319	176 636	182 459	2%	3%
Expenses (excl. D&A)	83 445	90 025	91 025	9%	1%
Adjusted EBITDA	97 891	87 088	93 084	-5%	7%
margin	*54.6%*	*49.3%*	*51.0%*	-	-
Operating profit	45 084	33 714	36 416	-19%	8%
Net interest	(16 668)	(15 046)	(15 493)	-7%	3%
Profit before tax	28 416	18 669	20 923	-26%	12%
Income tax	11 425	4 818	(27 433)	-340%	-669%
Profit for the period	16 991	13 851	48 356	185%	249%

- Our income statement data for 2014 has been restated. In 2015 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 decline in costs in 2014. The other items impacted by the restatement were depreciation and amortization, income tax and, consequently, profit for the period. This change in accounting will continue going forward
- Quarter-on-quarter, our operating profit increased on the back of higher revenues and only slightly higher costs. Our profit for the period increased considerably due to negative income tax recorded in Q4’15 in connection with a higher deferred tax asset being recognized on carry-forward tax losses

Revenue Structure and Operating Expenses Year-on-Year

Revenues (PLN '000)	FY 2014	FY 2015	% change
video	348 504	350 715	1%
internet	220 539	223 484	1%
telephony	109 522	103 429	-6%
other revenues	27 257	31 846	17%
Total Revenues	**705 822**	**709 473**	**1%**

Expenses (PLN '000)	FY 2014	FY 2015	% change
cost of services sold	144 269	163 268	13%
network maintenance	60 825	58 112	-4%
subscriber costs	8 070	7 075	-12%
sales and marketing	17 963	12 096	-33%
personnel costs	65 948	69 624	6%
general management	52 599	50 760	-3%
Total Expenses	**349 673**	**360 935**	**3%**

- Our video revenues were on a slight rise year-on-year due to organic growth and acquisitions
- 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 the rise
- 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 FY 2015 would have been c. PLN 9m lower than actually incurred
- 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
- Personnel costs increased as a result of the expansion of our product portfolio
- The decreases in S&M and general management costs were related to the high level of those costs in 2014 when we ran large advertising campaigns and incurred IPO-related expenses
- The fall in network maintenance expenses was connected with link lease cost optimizations

Income Statement Year-on-Year

Income Statement (PLN '000)	FY 2014	FY 2015	% change
Revenues	705 822	709 473	1%
Expenses (excl. D&A)	349 673	360 935	3%
Adjusted EBITDA	374 806	356 100	-5%
margin	*53.1%*	*50.2%*	-
Operating profit	143 828	135 087	-6%
Net interest	(63 805)	(61 505)	-4%
Profit before tax	80 024	73 582	-8%
Income tax	29 233	(12 618)	-143%
Profit for the period	50 791	86 200	70%

- Our income statement data for 2014 has been restated. In 2015 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 decline in costs in 2014. The other items impacted by the restatement were depreciation and amortization, income tax and, consequently, profit for the period. This change in accounting will continue going forward
- Please note that the level of our expenses in 2015 was heavily impacted by unfavourable foreign exchange rates (c. PLN 9m negative impact)
- Our profit for the period increased considerably due to negative income tax recorded in 2015

CAPEX & Balance Sheet

CAPEX (PLN '000)	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
growth	17 300	28 400	38 200	57 800	141 700
maintenance	13 300	15 700	18 800	22 000	69 900
other*	10 600	1 700	700	(27 000)	(14 000)
acquisitions	2 800	20 500			23 300
Total CAPEX	**44 000**	**66 300**	**57 700**	**52 800**	**220 900**

Balance Sheet (PLN '000)	31-12-14	31-12-15	% change
Assets			
non-current	1 255 055	1 325 204	6%
current	392 781	395 634	1%
incl. cash & equivalents	200 262	117 395	-41%
Total assets	**1 647 836**	**1 720 839**	**4%**
Equity	205 022	239 937	17%
Liabilities			
non-current	1 199 098	1 282 355	7%
current	243 717	198 548	-19%
Total equity & liabilities	**1 647 836**	**1 720 839**	**4%**

- We spent c. PLN 220.9m on capital expenditure in 2015
- Our 2015 growth CAPEX accounted for c. 72% of total organic CAPEX
- Our acquisition CAPEX in 2015 was attributable to four small-sized acquisitions
- Please note that our maintenance CAPEX was impacted by the change in accounting policies applicable to subscriber acquisition costs (SAC). Maintenance CAPEX is higher due to higher capitalization

- Our balance sheet data has also been restated for 2014 year-end due to the change in accounting policies applicable to subscriber acquisition costs (SAC), 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 170m in bank deposits and 117m 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 Q1 2016 report	11 May 2016
Publication of extended H1 2016 report	24 August 2016
Publication of Q3 2016 report	9 November 2016

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