

# Multimedia Polska S.A.

## 2013 third quarter results

# 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 Issue Prospectus filed with the Polish Securities and Exchange Commission, 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.

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## EBITDA

- Our 9m 2013 EBITDA\* was PLN 266.1m and increased by ca. 2.8% year-on-year
- We continue to enjoy high EBITDA margin of 50.8%

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## Subscribers and RGUs

- We increased the number of RGUs to 1,778,700; up 2.9% year-on-year
- We added ca. 49,700 DTV subscribers, ca. 24,700 broadband, and ca. 6,300 voice subscribers year-on-year
- Our RGU/unique customer ratio was 2.16

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## Opex per RGU

- Our operating expenses per RGU per month were at PLN 17.0

# Third Quarter 2013 Highlights

## □ **We added 7,800 net RGUs**

- 500 video RGUs
- 6,700 broadband RGUs
- 600 telephony RGUs

## □ **We had 825,000 unique customers**

- 411,100 single play subscribers
- 290,400 double play subscribers
- 123,500 triple play subscribers

## □ **RGU/subscriber rate**

- 2.15 in Q2 2013
- 2.16 in Q3 2013

## □ **Blended ARPU per subscriber**

- PLN 67.66 in Q2 2013
- PLN 67.36 in Q3 2013

## □ **Blended ARPU per RGU**

- PLN 30.47 in Q2 2013
- PLN 30.29 in Q3 2013

# RGU Growth Highlights

Quarter-on-quarter ('000)	Q2 2013	Q3 2013	% change	new adds
video	1 001	1 002	0%	1
voice	284	285	0%	1
data	485	492	1%	7
<b>Total</b>	<b>1 771</b>	<b>1 779</b>	<b>0%</b>	<b>8</b>

Year-on-year ('000)	Q3 2012	Q3 2013	% change	new adds
video	978	1 002	2%	23
voice	283	285	1%	2
data	467	492	5%	25
<b>Total</b>	<b>1 729</b>	<b>1 779</b>	<b>3%</b>	<b>50</b>

- 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 regular pricelist 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

# Multimedia Polska S.A.



Business Review

# Our Subscriber Base — 30 September 2013

Our Market	<b>1,509,500</b> marketable homes	<b>825,050</b> unique subscribers	<b>1,778,700</b> total RGUs
Our Services	<b>1,001,600</b> video RGUs*	<b>492,100</b> broadband RGUs	<b>285,000</b> voice RGUs**
Multiplay	<b>411,100</b> 1-play subscribers	<b>290,400</b> 2-play subscribers	<b>123,500</b> 3-play subscribers

(\*) Include 88,700 premium channel RGUs, 15,100 IPTV RGUs and 293,800 DTV RGUs

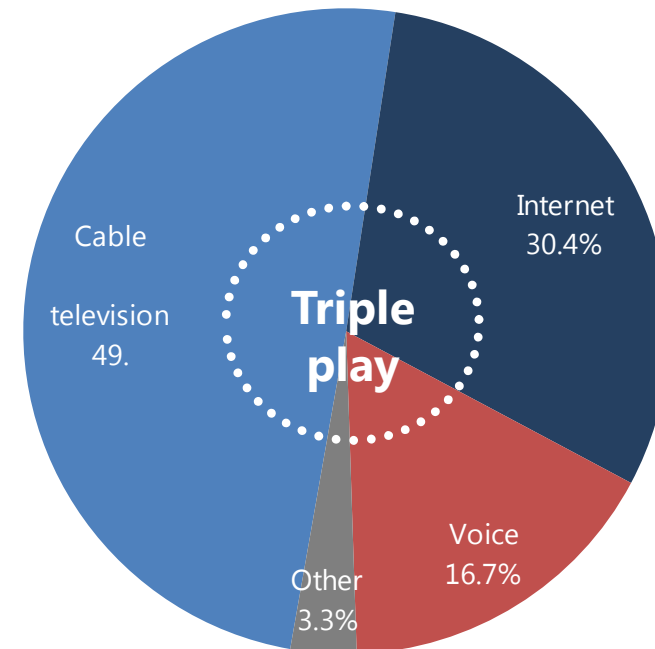
(\*\*) Include 18,900 indirect voice RGUs and approximately 600 payphones

# 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:
  - ▣ TV (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

## 9M 2013 revenue breakdown

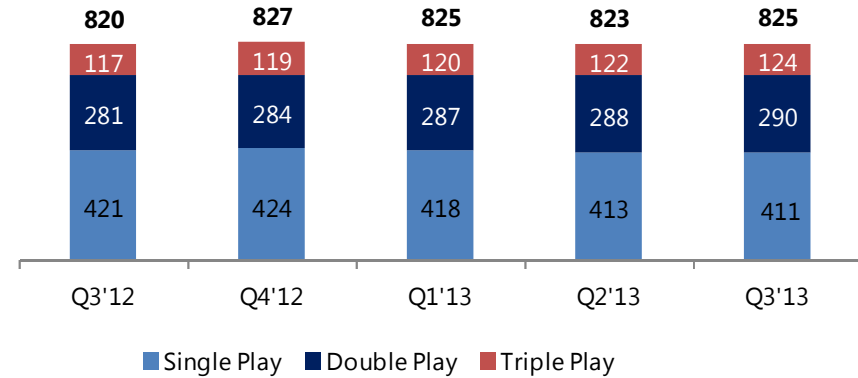




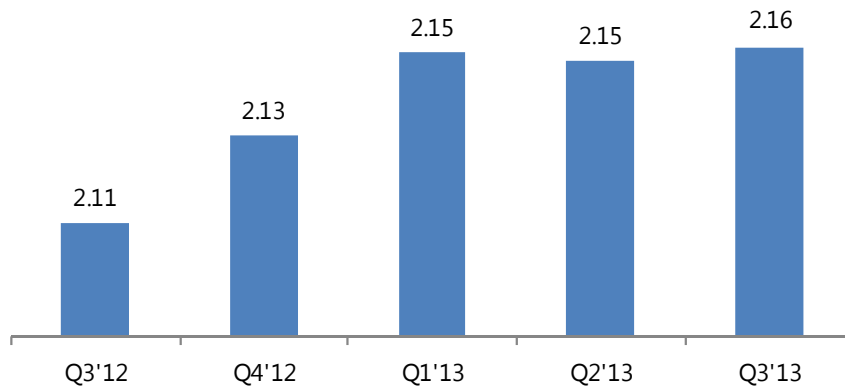
# Subscribers and ARPU

- The decrease in unique customers in Q1-Q2'13 was connected with some migrations of 1-play customers to Digital Terrestrial Television (DTT). We are already seeing a wave of come-backs from DTT to cable services
- The drop in ARPU per unique customer in 2013 is related to the 'transition rate' policy that we introduced at the start of 2013, as described above
- RGU per unique customer was up from 2.15 in Q2'13 to 2.16 in Q3'13

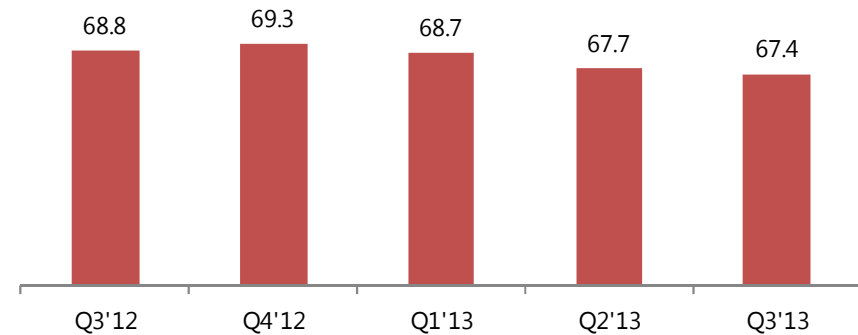
Unique customers ('000)



RGUs / unique customer



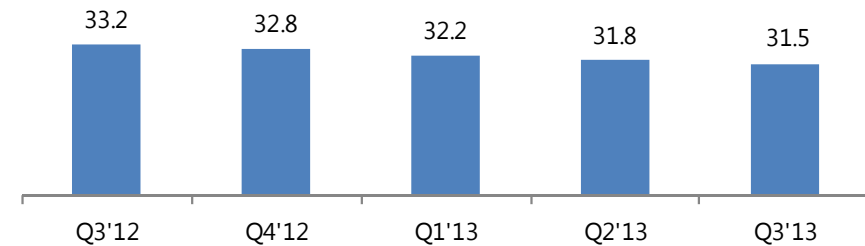
ARPU per unique customer (PLN)



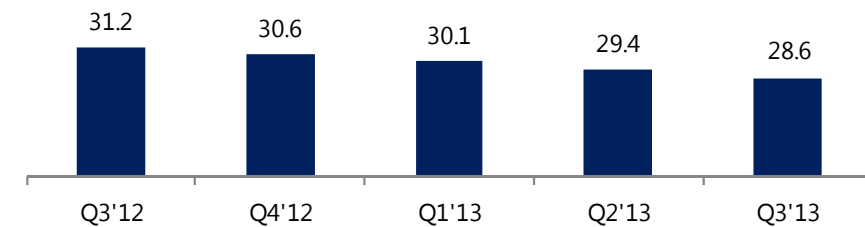
# ARPU per RGU—video services

- In 2012, we decided to incentivize 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 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
- Another factor impacting ARPU in 2013 are the 'transition prices' that we introduced in January. We believe this policy will bring higher ARPU starting from Q4'13

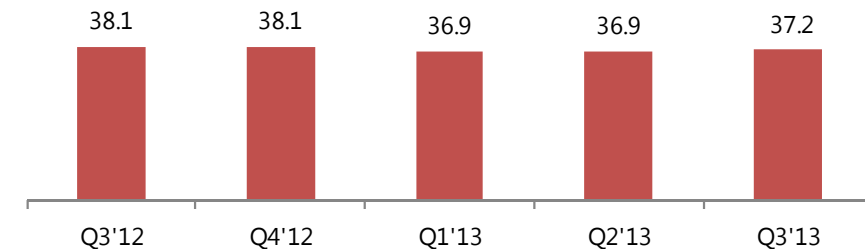
**Video - blended**



**Analogue video**



**Digital video (DTV)**

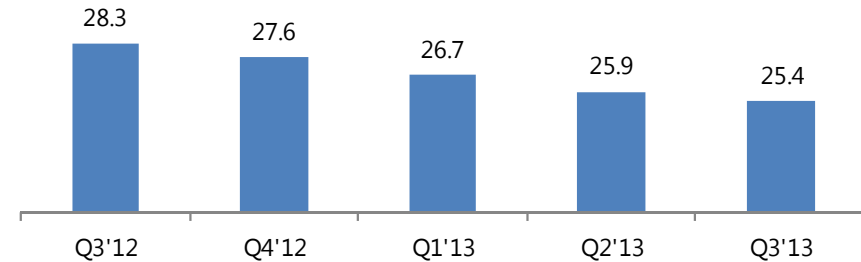


**Note:** ARPU figures are affected by recent acquisitions (Stream in Q2'12, Diana in Q3'12, and Transmitel in Q4'12)

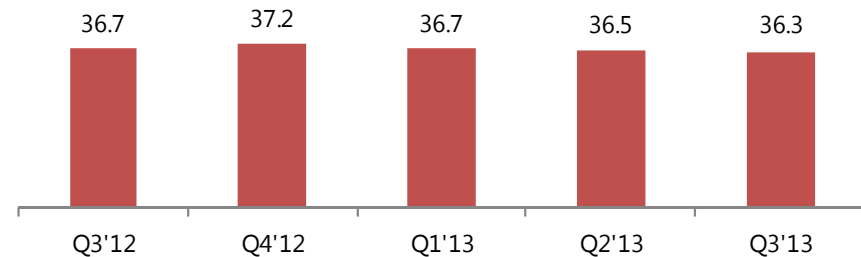
# ARPU per RGU—voice and data

- **VoIP:** Although ARPU on the service decreased further in Q3'13, 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 Q4'13

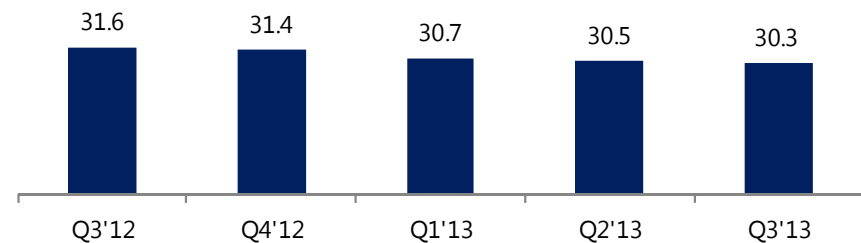
## Voice



## Data



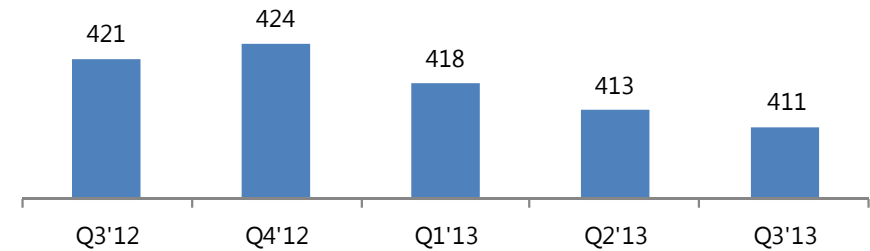
## All Services Blended



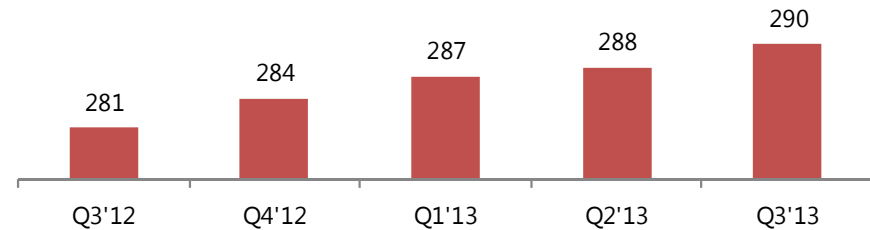
# Customer Base Structure

- 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 rise in 1-play customers in Q4'12 is attributable to the consolidation of Transmitel
- As evidenced in Q1-Q3'13 we were able to upgrade many customers to higher service multiples, so there is a drop in 1-play customer base in favour of 2- and 3-play, as expected

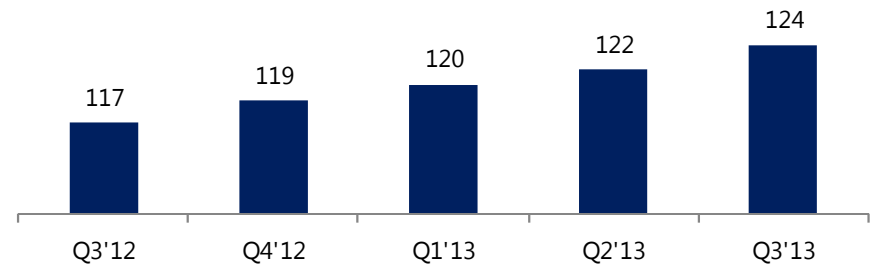
## Single Play



## Double Play



## Triple Play

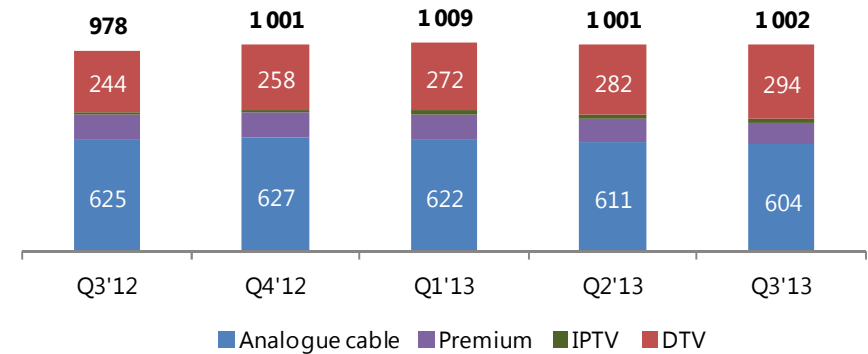


**Note:** The rise in single play customers in Q4'12 is attributable to consolidation of Transmitel

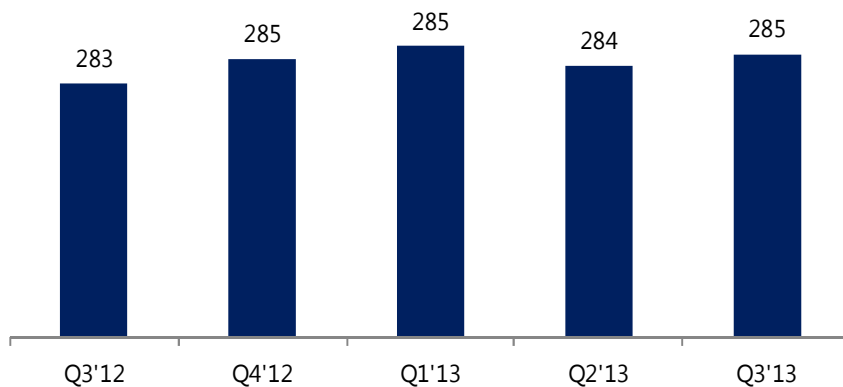
# Growth of Customer Base

- The decrease in video RGUs in Q2'13 was connected with some migrations of customers to Digital Terrestrial Television (DTT). We are already seeing a wave of come-backs from DTT to cable services
- Please note that we are considering adjusting our RGU reporting approach starting year-end as we have a new DTV only service (nDTV), not sold on top of ATV as before; hence some of our RGUs become one (nDTV) instead of the current two RGUs (ATV+DTV)

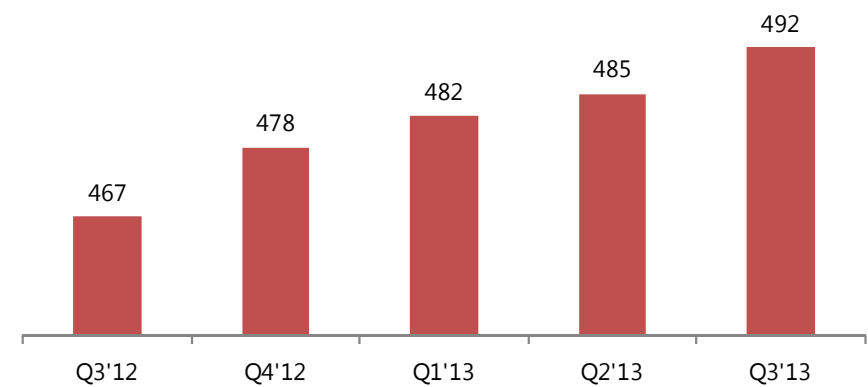
**Video RGUs**



**Voice RGUs**



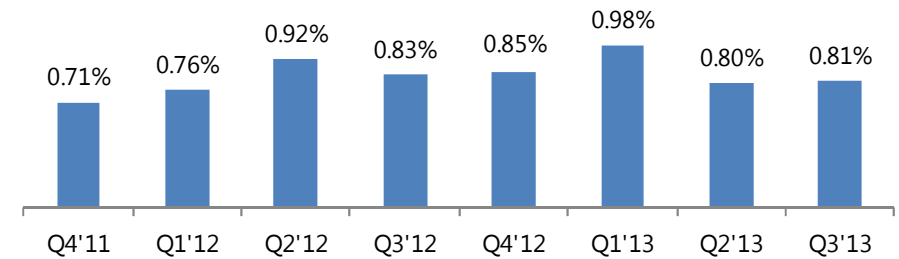
**Data RGUs**



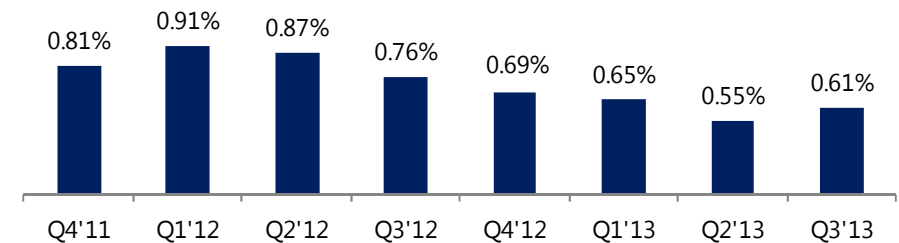
# Churn – under control due to service bundling

- 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 regular pricelist
- Excluding churn on mobile broadband, the churn rate on our data segment was record low at 0.6% in Q3'13

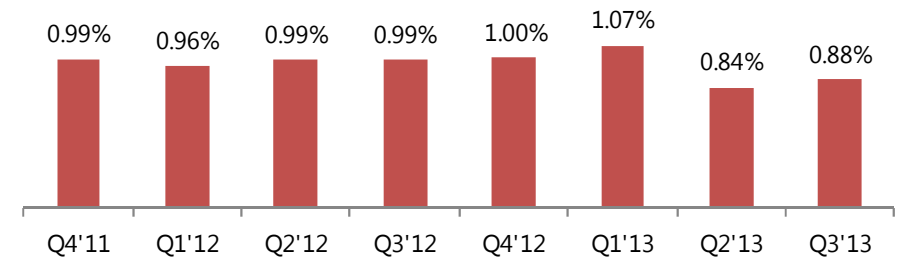
## Video



## Voice



## Data



Monthly average in a given quarter

# Multimedia Polska S.A.



## Financial Review

# Revenue Structure Quarterly

Revenues (PLN '000)	Q3 2012	Q2 2013	Q3 2013	y-o-y % change	q-o-q % change
basic CATV	58 299	54 334	52 141	-11%	-4%
DTV & IPTV	28 517	32 356	33 953	19%	5%
internet	50 683	53 017	53 182	5%	0%
telephony	30 866	28 995	28 555	-7%	-2%
other revenues	6 503	5 061	5 215	-20%	3%
<b>Total Revenues</b>	<b>174 868</b>	<b>173 764</b>	<b>173 047</b>	<b>-1%</b>	<b>0%</b>

- 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 and only -0.4% in Q3'13. 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. We do not expect any more negative impact on revenues in the following quarters
- DTV revenues continue to grow in line with RGU additions
- There is a temporary stabilization in broadband revenues quarter-on-quarter due to our 'transition pricing' strategy and less push to sell mobile broadband services that generate lower margins
- 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 strong promotion of bundled services



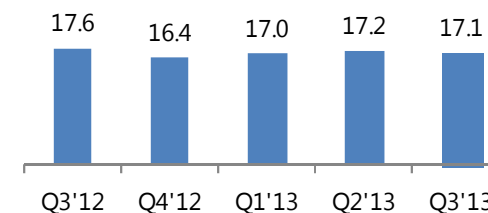
# Operating Expenses Quarterly

Expenses (PLN '000)	Q3 2012	Q2 2013	Q3 2013	y-o-y % change	q-o-q % change
programming and copyrights	26 896	27 251	32 677	21%	20%
bandwidth	845	790	662	-22%	-16%
interconnect	4 960	3 749	3 690	-26%	-2%
network costs	13 908	13 849	14 340	3%	4%
sales and marketing	4 583	4 717	5 090	11%	8%
payroll and benefits	24 900	24 268	19 614	-21%	-19%
taxes and charges	3 284	3 702	2 863	-13%	-23%
professional services	6 435	2 160	1 796	-72%	-17%
energy and materials	5 731	4 904	4 457	-22%	-9%
other expenses	6 901	6 140	5 836	-15%	-5%
<b>Total Expenses</b>	<b>98 442</b>	<b>91 530</b>	<b>91 024</b>	<b>-8%</b>	<b>-1%</b>
OPEX/ RGU /month	19.0	17.2	17.1	-10%	-1%

- Quarter on quarter, we managed to keep our overall costs under control
- The increase in programming & copyright expenses was primarily connected with a settlement we made with the Polish Filmmakers Association which affected copyright expenses
- The decrease in payroll and benefits was related to an incentive programme for upper management impacting Q2'13 (PLN 4.7m)

- There were a number of non-recurring events that had a major impact on our OPEX/RGU/month ratio in 2013
- In Q1-Q2'13, it was the incentive programme for upper management. The adjusted ratio would have been at PLN16.5 in both quarters
- In Q3'13, there was the settlement with the PFA. The adjusted ratio would have been at PLN16.1

**OPEX/ RGU/ month (PLN)**



# Income Statement Quarterly

Income Statement (PLN '000)	Q3 2012	Q2 2013	Q3 2013	y-o-y % change	q-o-q % change
Revenues	174 868	173 764	173 047	-1%	0%
Expenses (excl. D&A)	98 442	91 530	91 024	-8%	-1%
Adjusted EBITDA	88 927	88 099	86 936	-2%	-1%
<i>margin</i>	<i>50.9%</i>	<i>50.7%</i>	<i>50.2%</i>	-	-
Operating profit	28 311	31 616	33 671	19%	7%
Net interest	(16 357)	(45 888)	(21 896)	34%	-52%
Pretax profit	11 953	(14 272)	11 776	-1%	183%
Tax	5 009	1 818	(12 701)	-	-
Net income	6 945	(16 090)	24 476	252%	-

- The quarter-on-quarter drop in total revenues is related to the implementation of the 'transition rates' policy discussed above. We do not expect any more negative impact on revenues in the following quarters. Our operating expenses were stable both year-on-year and quarter-on-quarter
- EBITDA was virtually unchanged quarter-on-quarter; however adjusted EBITDA dropped by 1.3%. We made some adjustments connected with the incentive programme for upper management in Q2'13 that did not occur in Q3'13
- We also recorded much lower finance costs. One-off costs connected with the refinancing of our former bank and bond liabilities were c. PLN 30m in Q2'13 and only c. PLN5m in Q3'13
- Our tax optimization projects translated into negative income tax in Q3'13

# Revenue Structure and Operating Expenses

## Year-on-Year

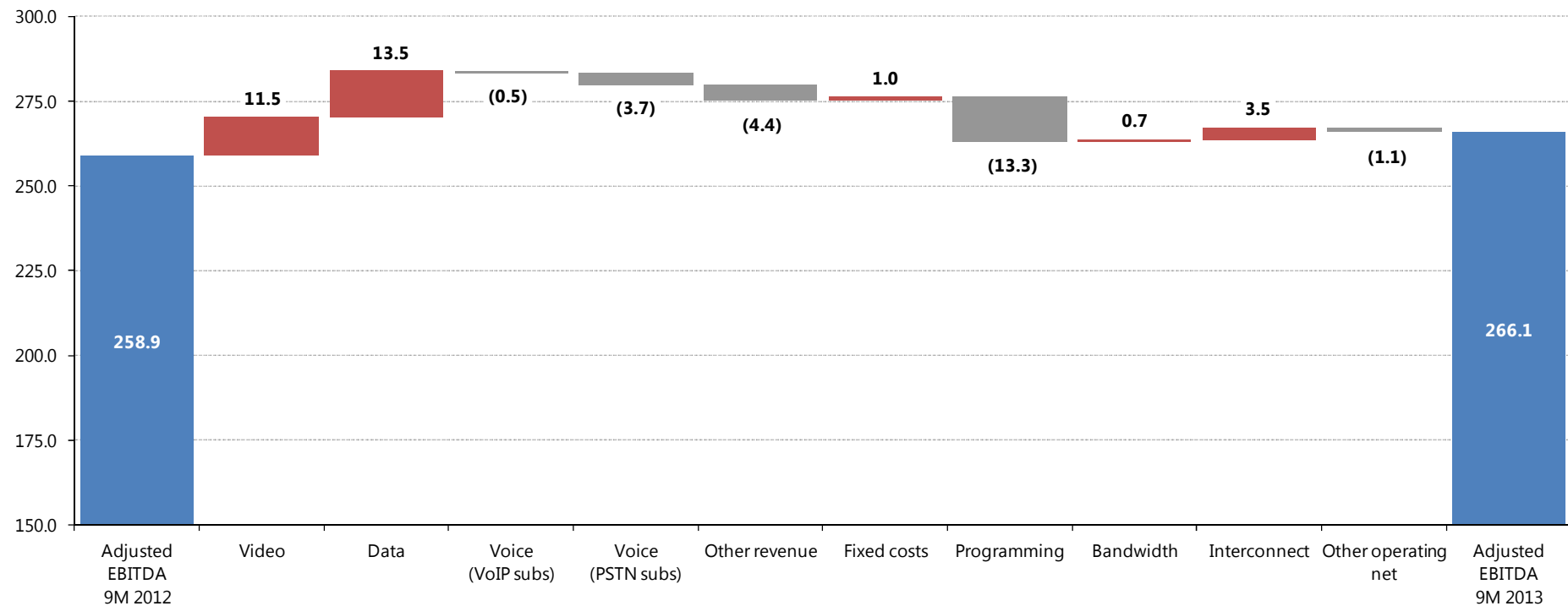
Revenues (PLN '000)	9M 2012	9M 2013	% change
basic CATV	173 407	162 776	-6%
DTV & IPTV	75 115	97 288	30%
internet	145 501	158 982	9%
telephony	94 171	87 445	-7%
other revenues	19 163	17 249	-10%
<b>Total Revenues</b>	<b>507 358</b>	<b>523 739</b>	<b>3%</b>

Expenses (PLN '000)	9M 2012	9M 2013	% change
programming and copyrights	73 351	86 610	18%
bandwidth	2 976	2 246	-25%
interconnect	14 795	11 301	-24%
network costs	40 059	42 488	6%
sales and marketing	12 901	13 424	4%
payroll and benefits	61 825	66 850	8%
taxes and charges	10 114	10 103	0%
professional services	13 331	6 445	-52%
energy and materials	15 002	14 929	0%
other expenses	20 549	18 523	-10%
<b>Total Expenses</b>	<b>264 904</b>	<b>272 919</b>	<b>3%</b>
OPEX/ RGU /month	17.0	17.0	0%

- Our programming & copyright costs went up on the back of vibrant additions of digital subscribers, also from acquisitions, and the settlement with the PFA
- The rise in payroll and benefits was related to our incentive programme for upper management (PLN6.2m)
- The drop in professional services and other expenses was connected with the fact that we accounted for the costs of our strategic audit in 2012 and those costs did not occur in 2013

# EBITDA Bridge\*

**Adjusted EBITDA bridge 9M 2012 - 9M 2013  
(PLNm)**



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

# Income Statement Year-on-Year

Income Statement (PLN '000)	9M 2012	9M 2013	% change
Revenues	507 358	523 739	3%
Expenses (excl. D&A)	264 904	272 919	3%
Adjusted EBITDA	258 860	266 079	3%
<i>margin</i>	<i>51.0%</i>	<i>50.8%</i>	-
Operating profit	100 223	99 522	-1%
Net interest	(46 123)	(84 230)	83%
Pretax profit	54 153	15 291	-72%
Tax	17 563	(7 468)	-
Net income	36 590	22 759	-38%

- The net income was adversely impacted by high finance costs (one-off bond-related fees totalling c. PLN35m)
- It was further impacted by the cost of our share incentive programme (PLN6.2m)
- We also had negative income tax due to tax optimizations carried out within the Group

# Balance Sheet & CAPEX

Balance Sheet (PLN '000)	31-12-12	30-09-13	% change
Assets			
non-current	1 366 669	1 387 741	2%
current	113 327	350 380	209%
incl. cash & equivalents	4 876	129 983	-
<b>Total assets</b>	<b>1 479 995</b>	<b>1 738 121</b>	<b>17%</b>
Equity	275 264	165 130	-40%
Liabilities			
non-current	824 819	1 245 130	51%
current	379 912	327 861	-14%
<b>Total equity &amp; liabilities</b>	<b>1 479 995</b>	<b>1 738 121</b>	<b>17%</b>

CAPEX (PLN '000)	Q1 2013	Q2 2013	Q3 2013	9M 2013
growth	37 500	33 900	51 300	122 700
other	8 700	5 400	6 800	20 900
acquisitions		10 300		10 300
<b>Total CAPEX</b>	<b>46 200</b>	<b>49 600</b>	<b>58 100</b>	<b>153 900</b>

- We spent ca. PLN 153.9m on capital expenditure in 9M 2013
- Our 9M 2013 growth CAPEX accounted for 85% of total organic CAPEX
- Our acquisition CAPEX in 2013 was attributable to final settlement of former acquisitions of Media Operator and Transmitel

# Multimedia Polska S.A.



## Recent Events and Outlook

We have reached an in-court **settlement with the Polish Filmmakers Association** which gives us favourable terms of covering past receivables and clarifies the situation going forward

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We have notified our bondholders about **early redemption of series MMP001301115 bonds totalling PLN27.5m** to take place on 30 November 2013

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We have carried out **tax optimization projects** that translated into negative income tax totalling **PLN13m** in Q3 2013



# Upcoming Events

- Publication of full year 2013 report: TBA

## Contact us

- Investor Relations Office  
tel. +48 22 553 86 00  
fax. +48 22 553 86 03  
[ir@multimedia.pl](mailto:ir@multimedia.pl)

Or visit our Investor Relations website

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