

# Multimedia Polska S.A.

## 2014 third quarter results



13 November 2014

# 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.

# 2014YTD Highlights

## EBITDA

- Our 9M 2014 EBITDA\* was PLN 262.8m and decreased by ca. 1.3% year-on-year
- We continue to enjoy high EBITDA margin of 49.9%

## Subscribers and RGUs

- Our RGUs reached 1,579,500 at the end of June 2014; up 3.0% year-on-year
- We added ca. 57,200 digital TV subscribers (incl. IPTV), ca. 29,300 broadband subscribers (incl. mobile), and ca. 7,400 telephony subscribers (incl. mobile telephony and excl. indirect voice and payphones) year-on-year
- Our RGU/unique customer ratio was 1.92

## New project RGUs to be reported from 2015

Our new energy RGUs are not disclosed in our operating statistics as the project is still in the opening stage

We intend to start reporting separate statistics for our new projects starting from Q1'15

## Important change of methodology

Please note all data in this presentation is based on single counting of video RGUs and is, therefore, not comparable to the data published until Q3 2013. For more information and reconciliation of historical data, please refer to our Directors' Report for FY2013

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

# Third Quarter 2014 Highlights

We added 15,700 net RGUs, including

9,500 video RGUs  
5,700 broadband RGUs, and  
400 voice RGUs

We had 821,200 unique customers

388,600 single play subscribers  
303,200 double play subscribers  
129,400 triple play subscribers

RGU/subscriber rate

1.90 in Q2 2014  
1.92 in Q3 2014

Blended ARPU per subscriber

PLN 68.18 in Q2 2014  
PLN 67.92 in Q3 2014

Blended ARPU per RGU

PLN 34.70 in Q2 2014  
PLN 34.60 in Q3 2014

# RGU Growth Highlights

Quarter-on-quarter ('000)	Q2 2014	Q3 2014	% change	new adds
video	759	769	1%	10
voice	289	290	0%	.4
data	516	521	1%	6
<b>Total</b>	<b>1 564</b>	<b>1 579</b>	<b>1%</b>	<b>16</b>

Year-on-year ('000)	Q3 2013	Q3 2014	% change	new adds
video	757	769	2%	12
voice	285	290	2%	5
data	492	521	6%	29
<b>Total</b>	<b>1 534</b>	<b>1 579</b>	<b>3%</b>	<b>46</b>

- Our results continue to be impacted by the factors described in the FY2013 results presentation, such as the introduction of free digital terrestrial television (DTT) in Poland and our amended up- and cross-sell policies. Hence, over the past few quarters we saw a decline in video RGUs (excl. acquisitions) as a result of migrations of customers to Digital Terrestrial Television (DTT). We managed to reverse this negative trend in Q3'14. We also had very good results with respect to data services and Premium channels.
- Please note that we are presenting data according to new methodology (single counting of video RGUs). We used to report users of DTV (our first digital packages offered as an add-on to analogue TV) as 2 RGUs as there were two revenue streams on subscriber invoices. Later on, with gradual migration of subscribers to digital TV, we introduced a new digital TV offer (nDTV) that no longer involved analogue TV. As we now report DTV using the single counting approach, there is virtually no difference from the perspective of our operating results between DTV and nDTV. We expect the migration from DTV to nDTV to be finalized by the end of 2015. For details of RGU development under the new methodology please see Schedule no. 1 to our Directors' Report for FY2013.
- Data presented above is fully comparable and presented according to the single-counting methodology

# Multimedia Polska S.A.



**Business Review**

# Our Subscriber Base — 30 September 2014

Our Market	1,548,300 marketable homes	821,200 unique subscribers	1,579,500 total RGUs
Our Services	768,500 video RGUs*	521,400 broadband RGUs**	289,600 voice RGUs***
Multiplay	388,600 1-play subscribers	303,200 2-play subscribers	129,400 3-play subscribers

(\*) Include 86,600 premium channel RGUs, 16,900 IPTV RGUs and 349,200 DTV RGUs (incl. nDTV)

(\*\*) Include 40,800 mobile broadband RGUs

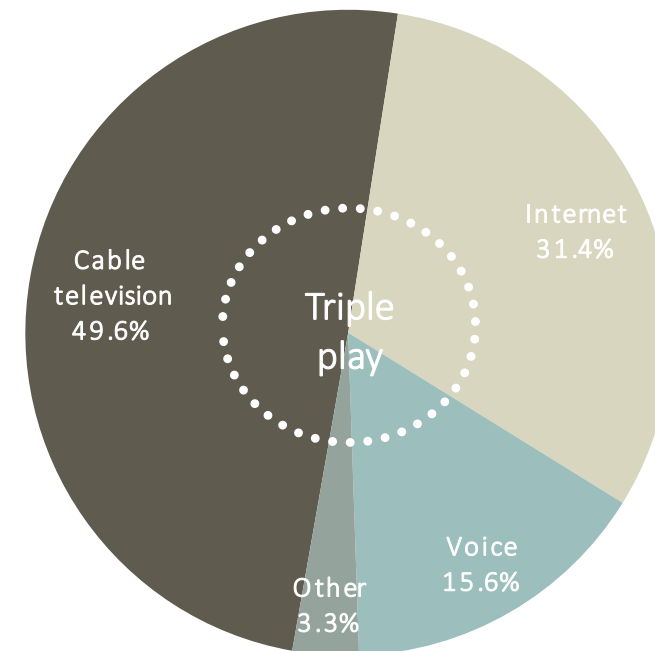
(\*\*\*) Include 16,300 indirect voice RGUs, 400 payphones, and 7,900 mobile voice RGUs

# 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)
- We have already achieved our target revenue structure and continue to expand each segment
- Our new services involve: retail sale of electricity, home monitoring, and insurance services

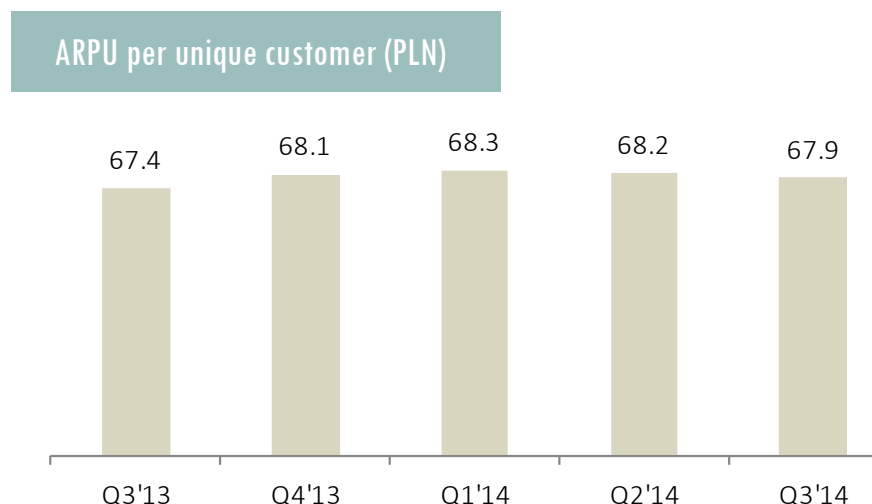
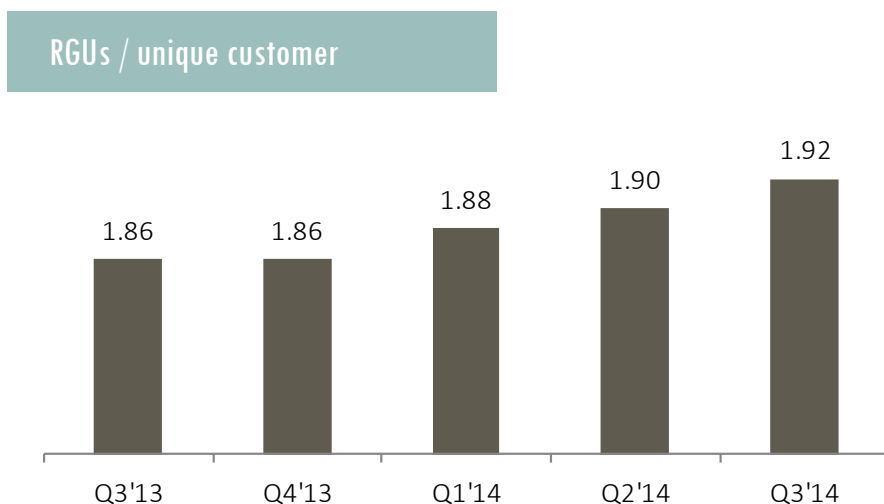
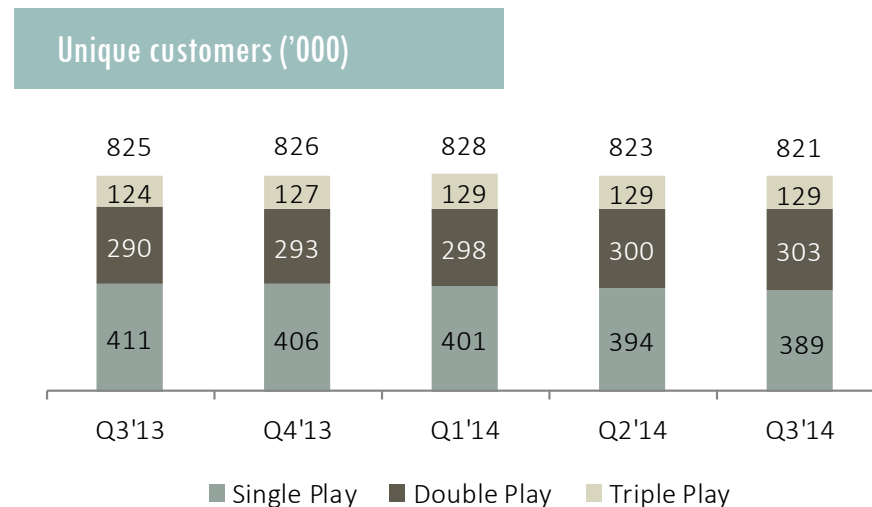
## 9M 2014 revenue breakdown





# Subscribers and ARPU

- The decline in unique customers in Q3'14 is attributable to some further migrations of mostly single-play customers (largely group agreements with housing cooperatives) to DTT where 4 news channels have been added lately
- Due to the nature of the churning customers, the impact of the drop in customer numbers on our revenues was marginal
- Slightly lower ARPU per unique customer was a consequence of lower other subscriber-based revenue (lower revenue from commercials). We expect ARPU/HC to increase in the coming quarters
- RGU per unique customer ratio was up from 1.90 in Q2'14 to 1.92 in Q3'14

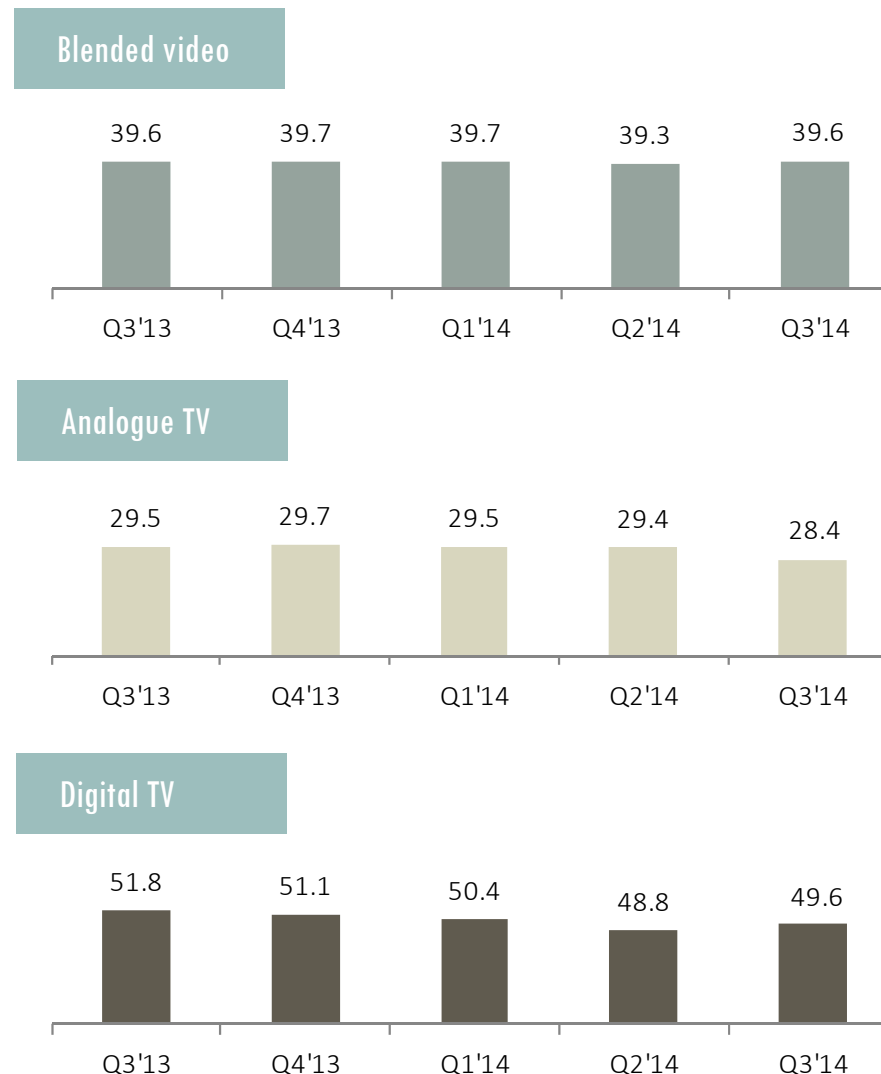


# ARPU per RGU—video services

- As announced previously, we adjusted our RGU reporting as from Q4'13. We provided comparable statistics according to our previous and current methodology in Schedule no. 1 to our Directors' Report for FY2013. This change to some extent affected ARPU on analogue and digital TV
- Due to the ongoing migration of customers from our previous DTV offer to new generation DTV (nDTV), we expect further declines in blended ARPU. This type of migration is incentivised and results in slightly lower nDTV ARPU. The process will be finalized in Q4'14 or Q1'15
- Migrations of customers from ATV to nDTV have a positive impact on blended video ARPU and once the first process is completed (migration from old DTV to nDTV), we expect to see a stable growth trend in blended video APRU on the back of ATV to nDTV migrations starting from Q1-Q2'15
- We are also working on upselling our DTV services to single-play broadband customers and are seeing very good uptake of the service, which should translate into higher ARPU per HC in 2015

**Note:** ARPU figures are affected by the recent acquisition of Teletronik (in Q1'14) and Poland's nationwide analogue switch-off in 2013

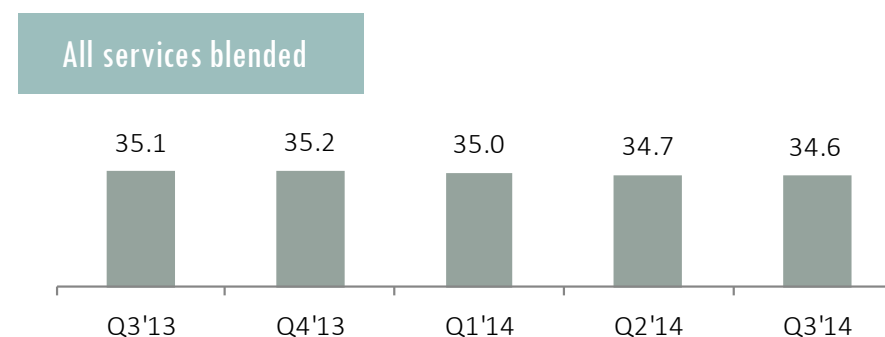
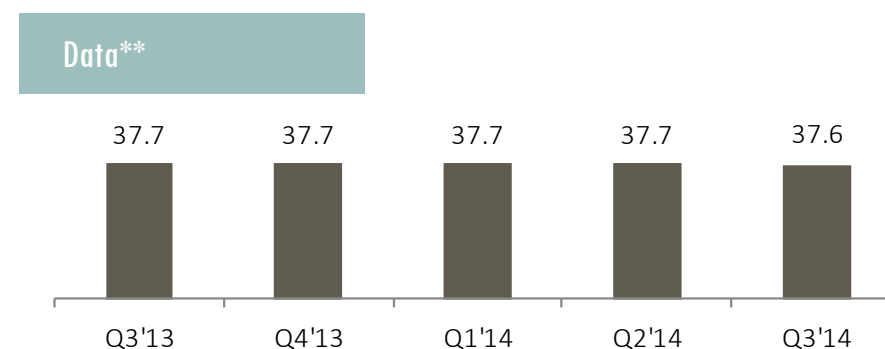
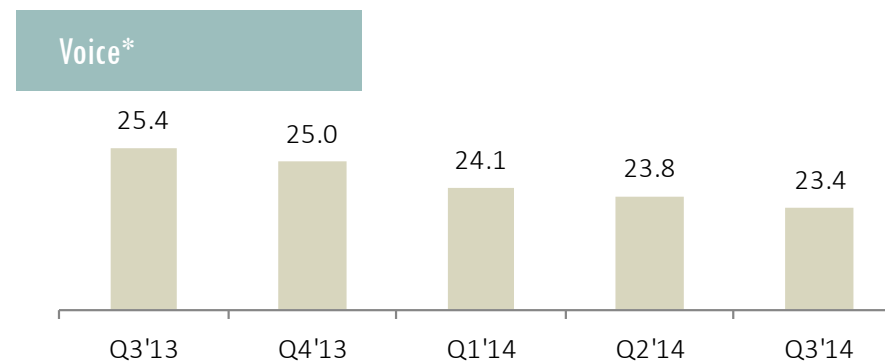
All television ARPU figures exclude premium channels



All data in PLN

# ARPU per RGU—voice and data

- **VoIP:** Although ARPU on the service decreased further in Q3'14, net additions of VoIP users partially 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 offer of high speed broadband has been welcomed by our customers and is expected to allow us to grow ARPU in the mid-term perspective
- Another factor impacting ARPU in 2013-2014 are the interim rates that we introduced in January 2013. We believe that after some immediate negative impact, this policy has allowed us to post stable blended ARPU even despite unfavourable changes in our market environment (roll-out of free DTT)
- Our all-services blended ARPU was adversely impacted by the introduction of mobile telephony in Q1'14 that generates much lower ARPU than other core services



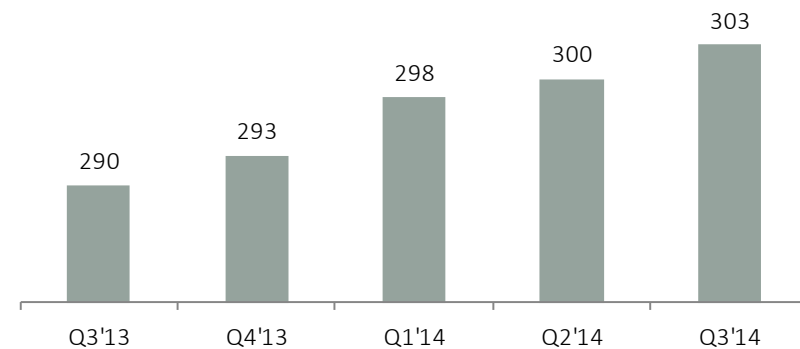
(\*) Voice ARPU excludes indirect voice, payphones and mobile telephony

(\*\*) Data ARPU excludes mobile broadband

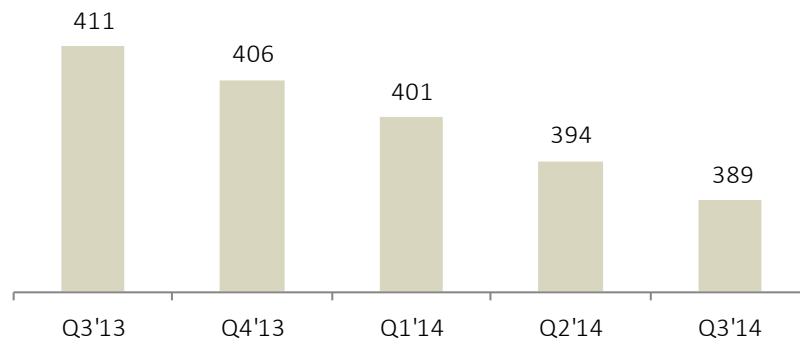
# Customer Base Structure

- 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
- We continue to upgrade customers to higher service multiples. There is a drop in 1-play customer base continues in favour of 2- and 3-play, as expected
- 2014 numbers are to some extent affected by the recent acquisition of Teletronik

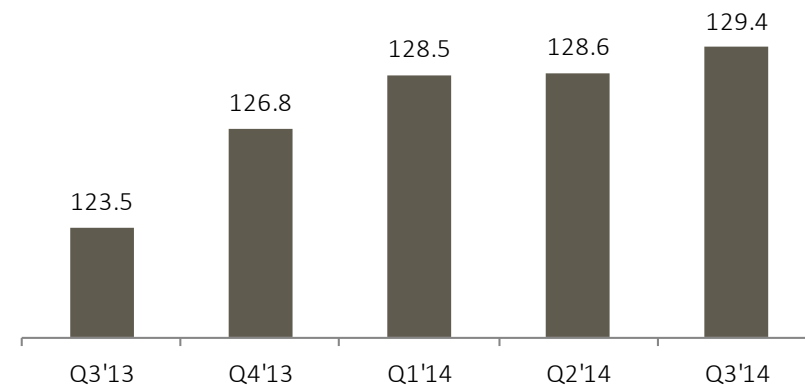
## Double Play



## Single Play

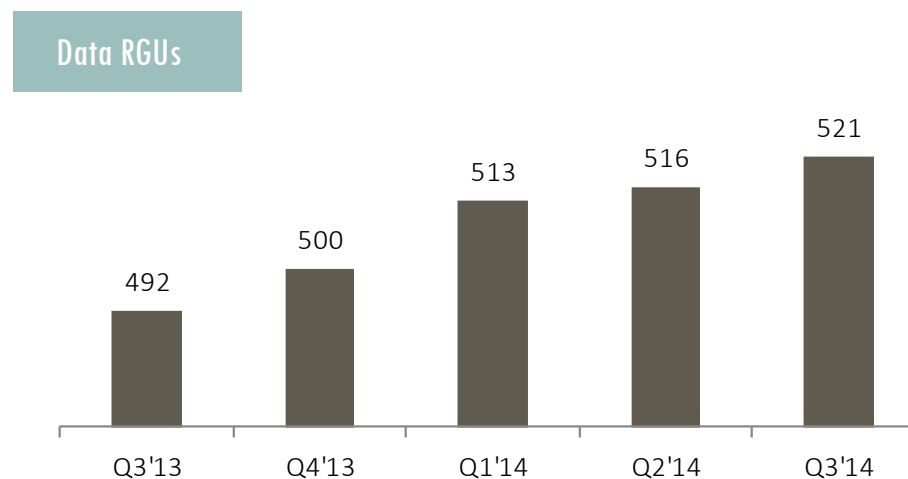
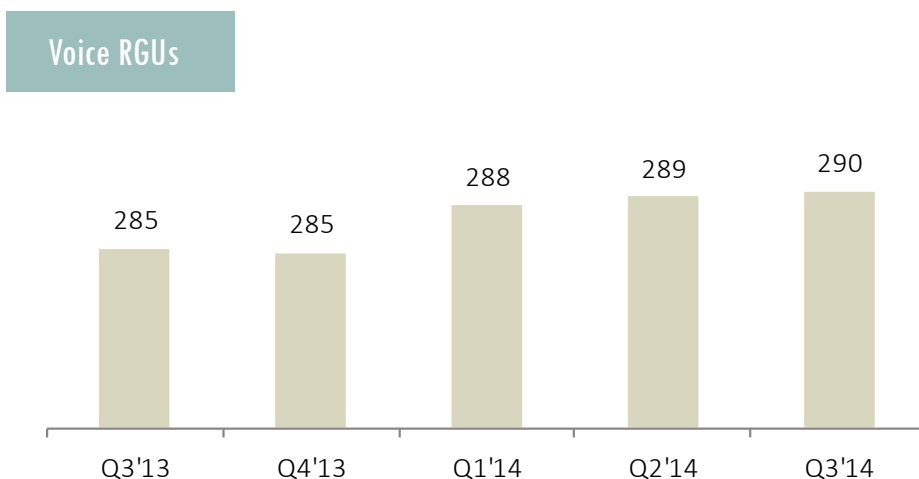
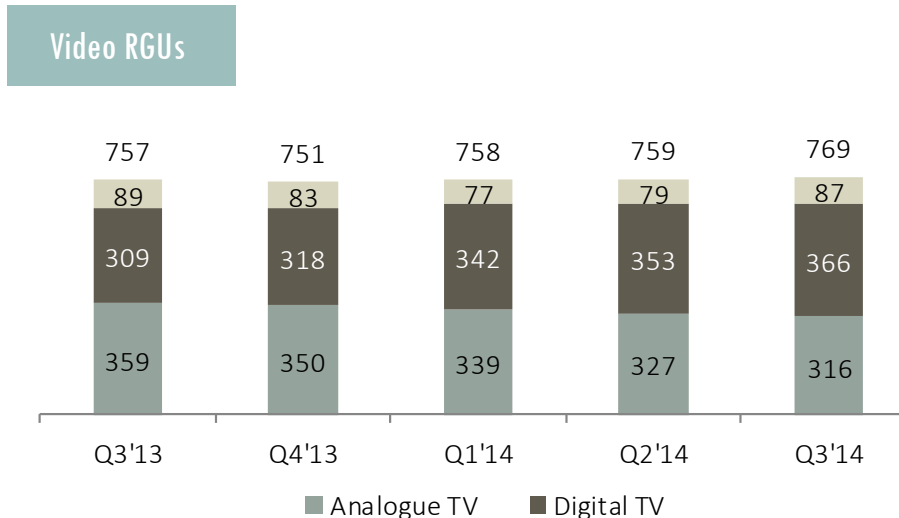


## Triple Play



# Growth of RGU Base

- Over the past few quarters we have seen a decline in video RGUs (excl. acquisitions) as a result of migrations of customers to Digital Terrestrial Television (DTT). We managed to reverse this negative trend in Q3'14
- We also had very good results with respect to Premium channels. After the drops recorded between Q4'13-Q2'14 because of the 2013 change of our up-sell and cross-sell policies, our Q3'14 net additions were very satisfactory
- Our RGU numbers are also impacted by our recent acquisition of Teletronik (consolidated from 1 January 2014)

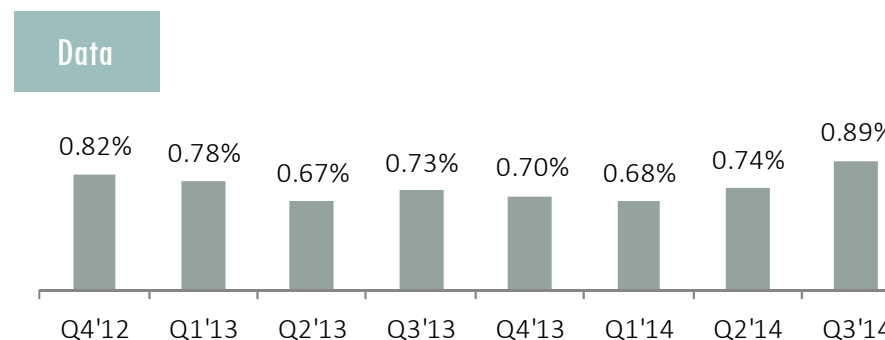
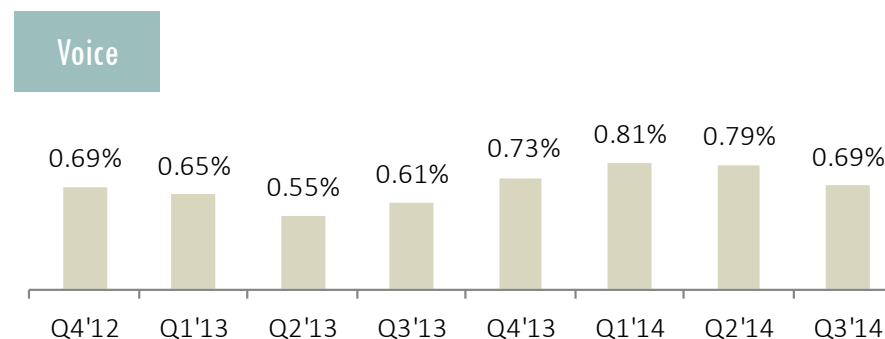
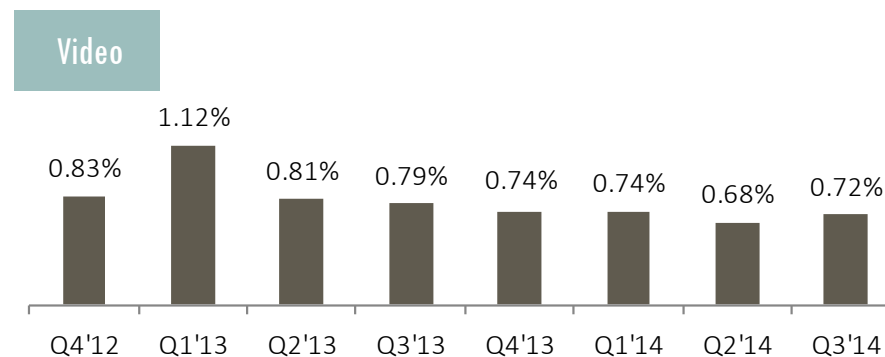


All data in thousands, based on the single-counting approach

# 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 interim rates offered to customers with expiring promotional offerings to stop them from churning; this strategy is bringing the expected results as evidenced in 2014 for our video services
- Our data services suffered higher churn in Q3'14 due to July-September resignations of students who left for holidays as well as higher competitive pressure from mobile operators who have started to offer mobile broadband without data transfer limits
- A new churn-control measure in place from Q1'14 is the bundling of our mobile voice offering (MVNO) with fixed-line voice services. We expect to see some positive impact of this offering on our churn rates in the future. The measure brought very good results in Q3'14

**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

# Multimedia Polska S.A.



**Financial Review**

# Revenue Structure Quarterly

Revenues (PLN '000)	Q3 2013	Q2 2014	Q3 2014	y-o-y % change	q-o-q % change
analogue TV	32 308	29 417	27 375	-15%	-7%
digital TV	46 998	50 776	53 501	14%	5%
premium channels	6 773	6 615	6 859	1%	4%
interactive TV	14	96	106	648%	10%
internet	53 182	55 176	55 248	4%	0%
telephony	28 555	27 379	27 820	-3%	2%
other revenues	5 215	6 158	4 252	-18%	-31%
<b>Total Revenues</b>	<b>173 047</b>	<b>175 617</b>	<b>175 162</b>	<b>1%</b>	<b>0%</b>

- The slight rise in total revenues year-on-year was driven by digitalization of our subscriber base and continued expansion of broadband internet services, despite the continued negative impact of the 2013 nationwide switch-over to digital terrestrial television (DTT) in Poland and slightly lower level of other revenues due to lower revenue from commercials
- The y/y rise was also underpinned by the acquisition of Teletronik in Q1'14
- Digital TV revenues continue to grow in line with customer migrations from analogue to digital TV as well as new RGU additions (also from Teletronik)
- Broadband revenue growth slowed down quarter-on-quarter due to our interim pricing strategy, the seasonality of student-related disconnections, less push to sell mobile broadband services that generate lower margins, and higher competitive pressure from mobile operators who have started to offer mobile broadband without data transfer limits



# Operating Expenses Quarterly

Expenses (PLN '000)	Q3 2013	Q2 2014	Q3 2014	y-o-y % change	q-o-q % change
programming and copyrights	32 677	27 975	28 731	-12%	3%
variable costs of Internet services (incl. bandwidth)	2 173	2 180	1 690	-22%	-22%
interconnect and WLR fees	4 395	4 919	5 925	35%	20%
new projects		4	15	-	-
network maintenance	14 678	15 514	15 660	7%	1%
subscriber costs	1 905	2 548	1 933	1%	-24%
sales and marketing	9 676	12 585	7 183	-26%	-43%
personnel costs	14 742	20 268	15 974	8%	-21%
general management	10 776	11 877	14 014	30%	18%
<b>Total Expenses</b>	<b>91 024</b>	<b>97 869</b>	<b>91 125</b>	<b>0%</b>	<b>-7%</b>

- Quarter on quarter, our overall costs went down 7% primarily on the back of lower sales and marketing costs (down PLN 5.4m q/q) and lower personnel costs (down PLN 4.3m q/q)
- Sales and marketing costs decreased in Q3'14 as we had already concluded our major marketing campaigns connected with the launch of new products, particularly home monitoring and mobile broadband, and generally aimed at increasing brand awareness
- Personnel costs went down due to non occurrence of IPO related bonuses (PLN 3.5m in Q2'14)
- The rise in general management expenses was attributable to IPO advisory costs as well as other advisory costs related to tax optimizations (c. PLN 2.0m in Q3'14)
- Please note we have introduced a new structure of expenses as of Q4'13, which in our opinion allows for better understanding of our business. This layout is also used for management reporting. We provided comparable statistics according to our previous and current methodology in Schedule no. 2 to our Directors' Report for FY2013.

# Income Statement Quarterly

Income Statement (PLN '000)	Q3 2013	Q2 2014	Q3 2014	y-o-y % change	q-o-q % change
Revenues	173 047	175 617	175 162	1%	0%
Expenses (excl. D&A)	91 024	97 869	91 125	0%	-7%
Adjusted EBITDA	86 936	84 975	86 417	-1%	2%
<i>margin</i>	50.2%	48.4%	49.3%	-	-
Operating profit	33 671	31 683	33 478	-1%	6%
Net interest	(21 896)	(15 932)	(16 310)	-26%	2%
Profit before tax	11 776	15 751	17 169	46%	9%
Income tax	(12 701)	4 256	7 119	-	-
Profit for the year	24 476	11 494	10 050	-59%	-13%

- Quarter-on-quarter, our sales revenue was stable. We managed to post stable revenues despite the decline in our customer base as the disconnections involved primarily single-play low-tier customers (group agreements with housing cooperatives), mostly lured by the enhanced DTT offering (four new channels)
- Our overall expenses were down 7% q/q primarily on the back of lower S&M and personnel expenses (see explanations on previous slide). We believe that the marketing spend largely borne in Q2'14 will improve Multimedia brand recognition and translate into higher revenues in the coming quarters
- Stable revenues coupled with lower operating expenses resulted in a rise in our adjusted EBITDA quarter-on-quarter (2%)
- The drop in our net profit in Q3'14 was attributable to temporarily higher tax rate on gross profit

# Revenue Structure and Operating Expenses Year-on-Year

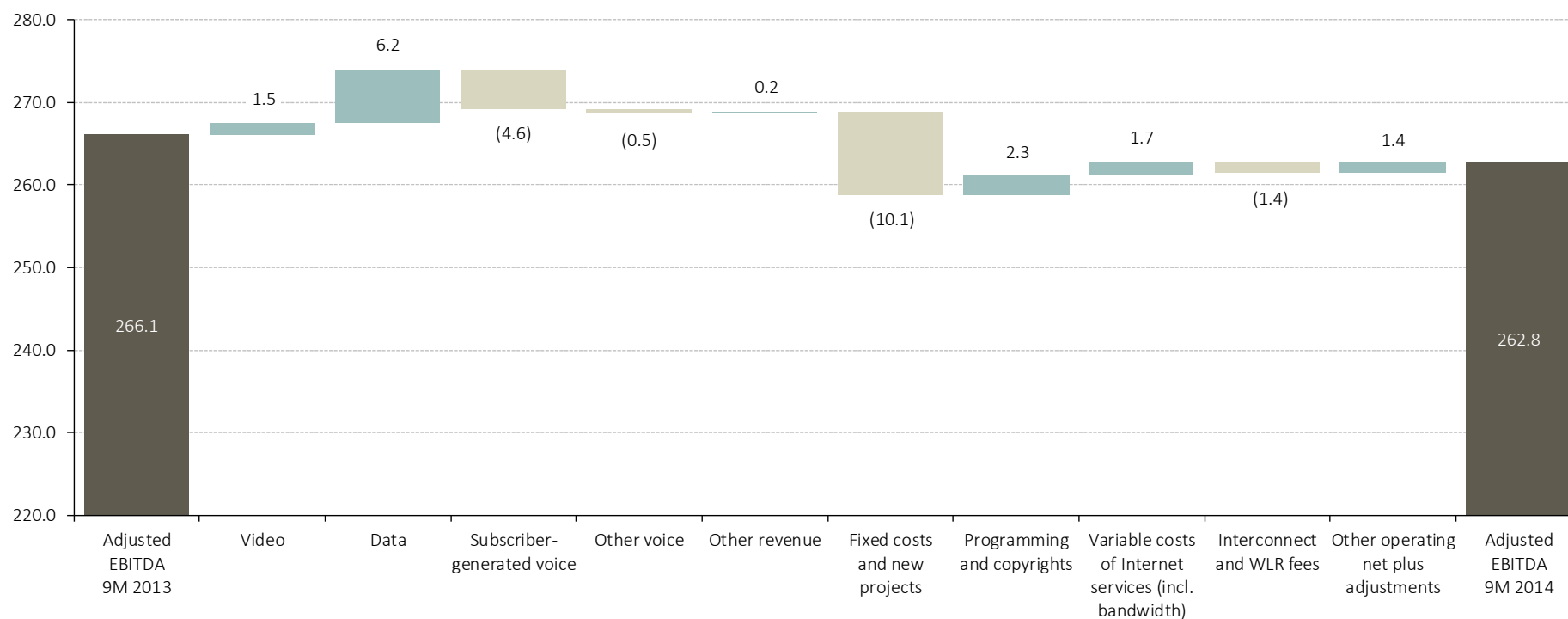
Revenues (PLN '000)	9M 2013	9M 2014	% change
analogue TV	100 543	87 337	-13%
digital TV	138 425	154 132	11%
premium channels	21 058	19 808	-6%
interactive TV	37	283	-
internet	158 982	165 200	4%
telephony	87 445	82 321	-6%
other revenues	17 249	17 422	1%
<b>Total Revenues</b>	<b>523 739</b>	<b>526 503</b>	<b>1%</b>

Expenses (PLN '000)	9M 2013	9M 2014	% change
programming and copyrights	86 616	84 282	-3%
variable costs of Internet services (incl. bandwidth)	7 843	6 188	-21%
interconnect and WLR fees	13 608	14 970	10%
new projects		19	-
network maintenance	44 723	46 285	3%
subscriber costs	6 321	6 361	1%
sales and marketing	26 482	29 203	10%
personnel costs	53 277	52 349	-2%
general management	34 050	40 733	20%
<b>Total Expenses</b>	<b>272 919</b>	<b>280 391</b>	<b>3%</b>

- Our digital TV revenues grow on the back of migrations of analogue customers to digital TV
- The broadband segment is developing as expected while the voice segment is shrinking slightly
- We manage to post stable revenues despite the recent unfavourable changes in our immediate market environment
- Our sales and marketing costs were driven by campaigns accompanying the introduction of new products, home monitoring and mobile voice
- The rise in general management expenses was attributable to IPO advisory costs as well as other advisory costs related to tax optimizations
- Personnel costs were down as in 9M 2014 we did not have a management share incentive programme that totalled PLN 6.2m in H1 2013, although we did pay out IPO related bonuses totalling PLN 3.5m

# EBITDA Bridge\*

## Adjusted EBITDA bridge 9M'13 – 9M'14 (PLNm)



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

# Income Statement Year-on-Year

Income Statement (PLN '000)	9M 2013	9M 2014	% change
Revenues	523 739	526 503	1%
Expenses (excl. D&A)	272 919	280 391	3%
Adjusted EBITDA	266 079	262 753	-1%
<i>margin</i>	<i>50.8%</i>	<i>49.9%</i>	-
Operating profit	99 522	99 205	0%
Net interest	(84 230)	(47 136)	-44%
Profit before tax	15 291	52 068	241%
Income tax	(7 468)	17 895	-340%
Profit for the year	22 759	34 173	50%

- Please note that our 9M 2013 net income was adversely impacted by high finance costs (one-off bond-related fees totalling c. PLN30m) and the cost of our share incentive programme (PLN6.2m)
- We also had a higher effective tax rate on our gross profit in 9M 2013 due to changes in deferred tax that were connected with some differences between the carrying value and the tax value of our non-current assets, loans and borrowings and debt securities issued by us
- In 9M 2014, all our refinancing efforts had been completed and there was no negative impact from high net interest or any additional refinancing costs
- Apart from the impact of the recent changes in our market environment on our revenues for the past several quarters, our 9M 2014 results were also impacted by higher expenses connected with our attempted IPO

# Balance Sheet & CAPEX

CAPEX (PLN '000)	Q1 2014	Q2 2014	Q3 2014	9M 2014
growth	34 000	38 800	25 500	98 300
maintenance	11 400	9 100	8 400	28 900
other*	(4 400)	(2 500)	13 700	6 800
acquisitions	22 900			22 900
<b>Total CAPEX</b>	<b>63 900</b>	<b>45 400</b>	<b>47 600</b>	<b>156 900</b>

Balance Sheet (PLN '000)	31-12-13	30-09-14	% change
Assets			
non-current	1 409 437	1 391 825	-1%
current	226 081	217 131	-4%
incl. cash & equivalents	102 403	102 899	0%
<b>Total assets</b>	<b>1 635 518</b>	<b>1 608 956</b>	<b>-2%</b>
Equity	213 322	176 772	-17%
Liabilities			
non-current	1 189 308	1 206 288	1%
current	232 887	225 896	-3%
<b>Total equity &amp; liabilities</b>	<b>1 635 518</b>	<b>1 608 956</b>	<b>-2%</b>

- We spent ca. PLN 156.9m on capital expenditure in 9M 2014
- Our 9M 2014 growth CAPEX accounted for 73% of total organic CAPEX
- Our acquisition CAPEX in Q1 2014 was attributable to the acquisition of Teletronik
- Please note we have amended our presentation of CAPEX as from Q4'13

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

# Multimedia Polska S.A.



**Recent Events and Outlook**

# Recent Events

As reported on 31 October 2014 (current report no. 13/2014), we had an event of default on the series MMP004100530 Bonds on 30 October 2014 as we provided a guarantee for the liabilities of our shareholder, M2 Investments Ltd, under a credit facility agreement between M2 Investments Ltd and Alior Bank S.A. while our Financial Leverage Ratio was above 3.50x. However, the event of default was promptly removed upon the repayment of the entire credit facility by M2 Investments Ltd on 31 October 2014.

As provided in the Terms and Conditions of Bond Issue the Company shall not provide any further guarantees for M2 Investments Ltd and shall cease to apply the Adjustment Factor when calculating the Consolidated Net Debt ratio

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Tri Media Holdings Ltd have assured the Company that Tri Media shall repay all the liabilities under the Tri Media bond acquired by the Company on 22 December 2009 by 31 December 2014 at the latest

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We reached a settlement with ZAiKS in October 2014. The amount of the settlement was in line with our expectations and had no disruptive impact on our overall business

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In January 2014, we launched our MVNO service and added 7,900 mobile telephony RGUs as at the end of September 2014. We are now also offering the service with subscriber terminals (mobile phones)

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We also launched retail sales of electricity. We already have several thousand customers of the service as of today



# Upcoming Events

Publication of reporting schedule for 2015

January 2015

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