

# ITI and TVN Strategic Partnership with Canal+ in Poland

## Agenda:

1. Introduction – Wojciech Kostrzewa
2. Canal+ Group – Bertrand Meheut
3. Cyfra+ and 'n' merger – Markus Tellenbach
4. Conclusions – Wojciech Kostrzewa

19 December 2011



# **ITI and TVN Strategic Partnership with Canal+ in Poland**

**Introduction by Wojciech Kostrzewa  
President and CEO of ITI Group**

19 December 2011



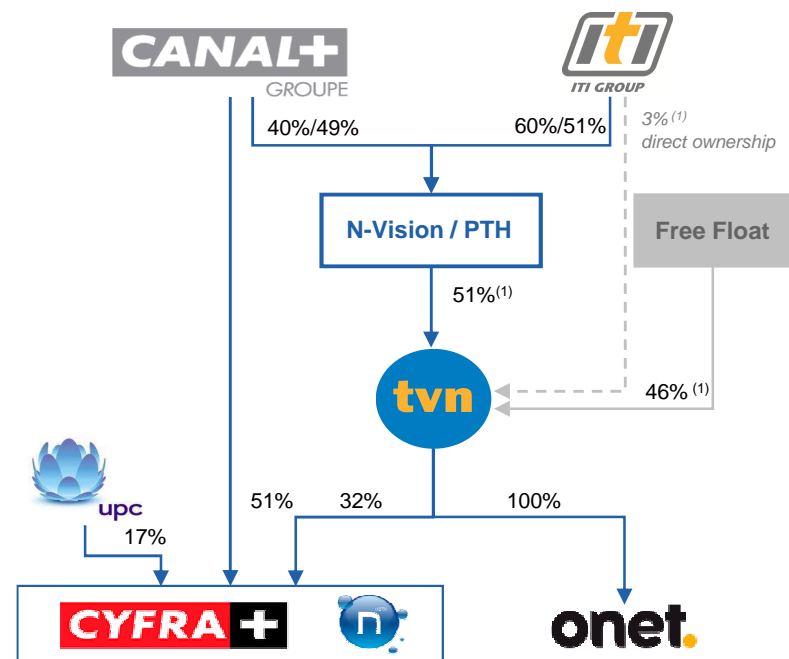
## ITI and TVN forming a Strategic Partnership with Canal+ in Poland

- **Combination of TVN and Canal+ Pay-TV operations to create the leading premium Pay-TV platform in Poland**
- **Investment by Canal+ in TVN indirectly through ITI with a path to control, further cementing the partnership**
- **Future cooperation between TVN and the combined Pay-TV platform in development, production and exploitation of media content**

## Transaction overview

- **Cyfra+/n combination**
  - ▶ Merger of the two entities
  - ▶ Call options and exit rights in year 3 or 4 after closing
  - ▶ Markus Tellenbach to become the CEO and lead the integration of Cyfra+/n while remaining CEO of TVN. Beata Mořka to become Deputy CEO of Cyfra+/n
- **TVN cooperation with Cyfra+/n**
  - ▶ Partnership for future content development, production and exploitation
- **Canal+ investment in TVN through N-Vision**
  - ▶ Acquisition of a 40% stake for a cash consideration of approximately € 230m
  - ▶ Call options and exit rights in year 3 or 4 after closing
- Transaction will not trigger mandatory tender offer for TVN free float shares nor early redemption of the TVN and PTH bonds
- Regulatory approval and closing expected by 2H 2012

## Group structure post transaction



1. On a fully diluted basis.

# **ITI and TVN Strategic Partnership with Canal+ in Poland**

**Cyfra+ and 'n' merger by Markus Tellenbach  
CEO of TVN Group**

19 December 2011



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## The Merger: Rationale

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**Consolidates fragmented Polish Pay-TV market by creating a leading premium Pay-TV operator with critical mass**

2

**Significant value creation to be realised from the combination of Cyfra+'s and TVN's Pay-TV operations**

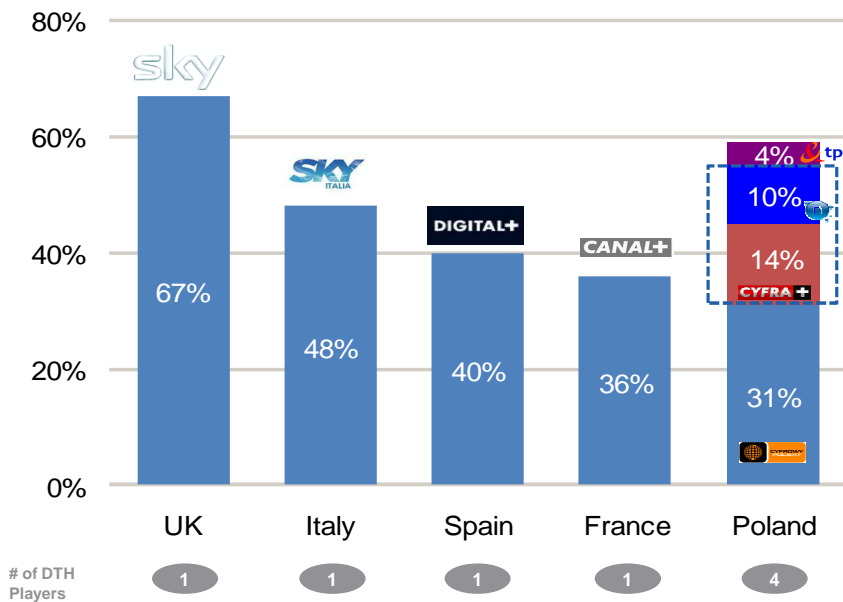
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## Consolidating a fragmented Polish Pay-TV market

- Competitive Pay-TV market with 4 DTH operators and strong competition from cable providers
- Compared to developments in other European markets, consolidation in the Polish DTH sector has been expected
- Combination of 'n' and Cyfra+ will provide enhanced consumer offerings
- Cyfra+/n will be strongly positioned to capture future growth in the increasingly competitive Pay-TV market

### Polish vs. European DTH penetration

DTH / Total Pay-TV households, incl. basic & pre-paid offers, 2010



Source: ScreenDigest, Company estimates.

## 1 Strong competition in a fast converging Polish Pay-TV market



- FTA / DTH / Broadband / Mobile convergence: Cooperation of 'n' and TP Group in Pay-TV offerings
- Polkomtel: Acquisition by Mr. Solorz-Żak and announced cooperation with Cyfrowy Polsat forms a direct competitor to TP Group
- Cable TV: UPC acquired Aster with 50% of their combined customer base subscribing to internet services
- Telcos: Netia is merging with Dialog and launched its own Pay-TV offer
- Online: Ipla and Onet VoD are turning into content aggregation platforms

**Substantially larger number of players offering linear and on-demand audio-visual content**

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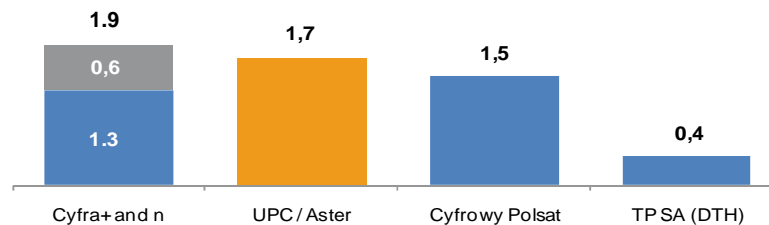
## Creating a leading premium Pay-TV operator with critical mass



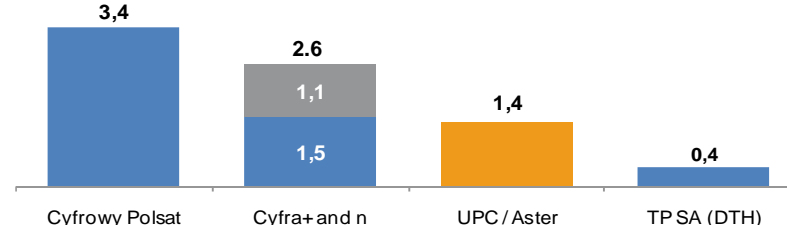
Combined platform

- 2.5m customers, of which 1.3m HD subscribers
- Combined 2010 revenues of PLN 1.9bn and EBITDA of PLN 113m
- Synergies through cost savings and additional revenues exceeding PLN 250m from year 3 (2015)
- Offers ranging from basic to upper premium segment
- Nationwide distribution network with more than 2,000 Points of Sale

### #1 Pay-TV Player By Revenue (PLNm)



### #2 Pay-TV Player By Customers (m)



■ DTH ■ Cable

Source: ScreenDigest, Company information.

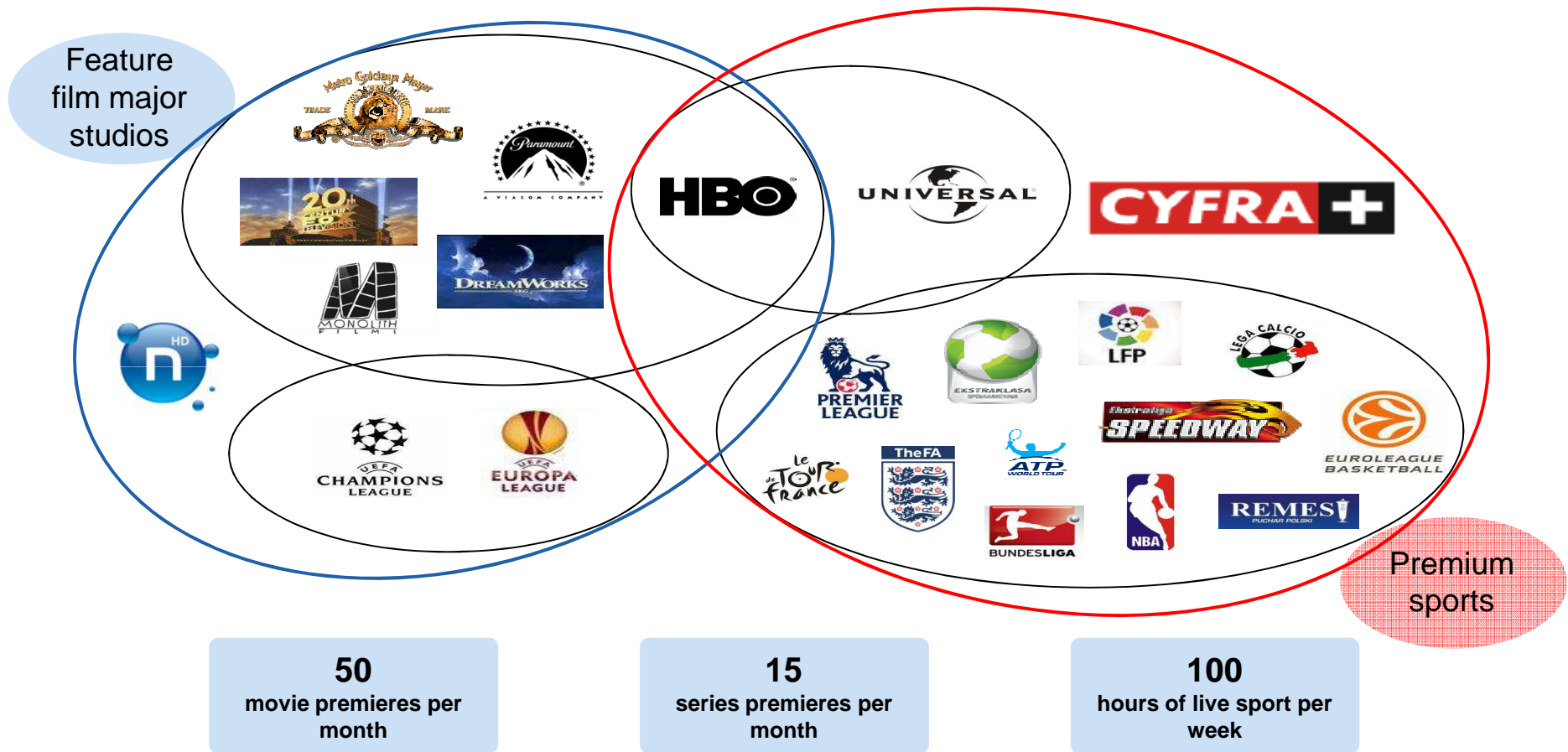
Note: All data as of 2010, as per company information. Figures for combined Cyfra+ and 'n' are pro-forma.

## 2 Highly complementary product offering

Basic	Mainstream	Upper mainstream	Premium	Upper premium
		<b>CYFRA +</b>	<b>CYFRA +</b>	<b>CANAL+</b>
<b>PLN 10-30</b>	<b>PLN 31-50</b>	<b>PLN 51-70</b>	<b>PLN 71-100</b>	<b>&gt; PLN 100</b>

- The overlap of offerings expected below 10% thanks to complementary content and pricing
- n/C+ product offering across all price segments of the market
- Strengthening of innovation and delivery of best-in-class technology

## 2 Improved consumer experience through premium content proposition





2

## Future cooperation in content development, production and exploitation

**Pursue existing TVN and Canal+ strategies of providing viewers and Pay-TV customers with high quality content on a long-term basis**

- **Leading position:**  
Unique and unparalleled competence in the creation of signature programming
- **Combined know-how:**  
Leverage complementary expertise on production, technology and marketing
- **Most valuable Target Group:**  
Leveraging TVN's sales expertise in driving advertising revenue on this customer base
- **Optimised resources:** Jointly n/C+ and TVN Group are in a unique position to monetize the exploitation of content across the entire value chain

2

## Significant synergies from Cyfra+ / n combination

### Target run-rate annual synergies exceeding PLN 250m from year 3 (2015)

#### Revenue

- Strengthened product offering for subscribers with best content in the market
- Better subscriber satisfaction leading to a reduction in churn

#### Content cost

- Availability of broader content and economies of scale in content acquisition
- Future content partnership with TVN

#### Customer acquisition costs

- Economies of scale in sales and marketing costs
  - More than 2,000 Points of Sale across country

#### Other costs

- Rationalisation of transponder costs
- Procurement savings

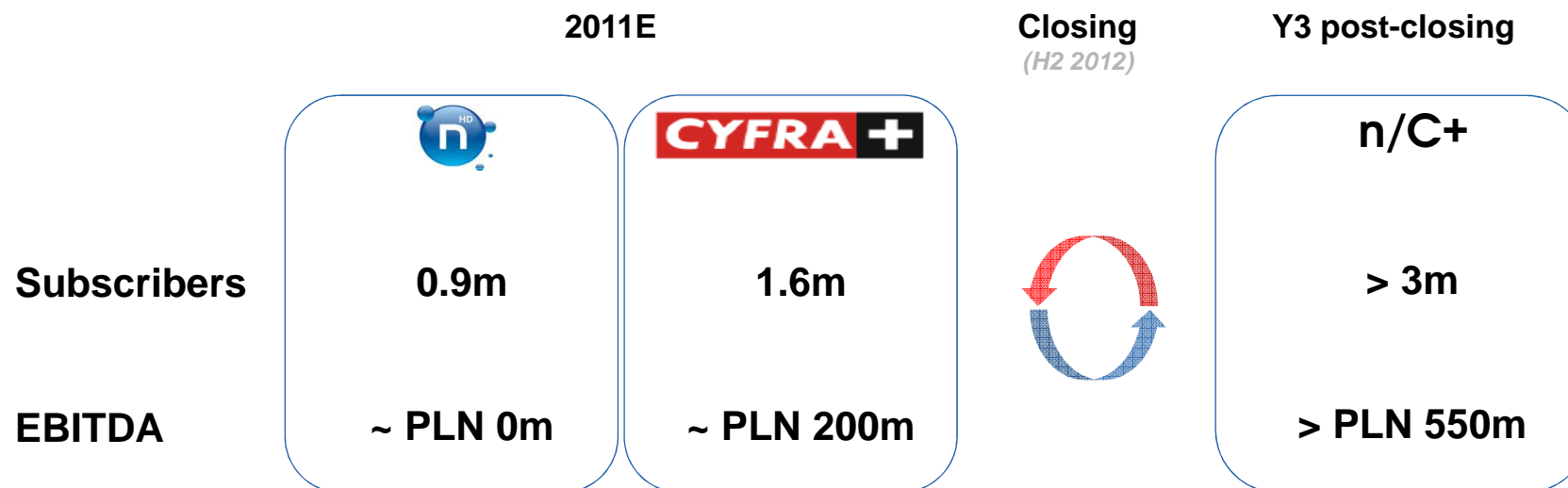
#### Financial

- Net Cash positive at closing, strong cash flow generation going forward
- Ability to realise tax loss carry forwards
- 75% dividend payout from net earnings to shareholders

2

## Value creation potential

Shareholder value creation through synergies, lowered execution risk, self-financing on a forward going basis, secured dividend flow and exit options



## Corporate governance and exit options

### New governance structure of n/C+



- Markus Tellenbach to be CEO



- Beata Mońka to be Deputy CEO



Members proposed  
by Canal+  
(inc. Chairman)



Members proposed  
by TVN  
(inc. Vice-Chairman)

Members proposed  
by UPC

### Exit path and call rights provided under current set of agreements

#### n/C+

- Canal+ has been granted an option to acquire TVN shareholding in n/C+
- Two exercise windows starting 3 and 4 years from closing
- Potential IPO of n/C+ in the case Canal+ does not exercise its options

## A Win-Win transaction for all stakeholders

### TVN Group

- Participation in value creating in-country market consolidation
- Full alignment of interests with Canal+, ITI and public shareholders
- Leading Polish premium Pay-TV platform
- Future Pay-TV / FTA cooperation
- Positive cash flow from Pay-TV via dividends
- Self-financing of n/C+

### Customers

- Improved customer choice and experience
- Compelling premium content proposition
- Best-in-class technology
- Improved customer care

### Canal + Group

- Participation in value creating in-country market consolidation
- Alignment with strong Polish partner
- Achieve control of leading premium Pay-TV platform in Poland
- Full flexibility and path to control
- Minimal cash upfront/impact on leverage

### Employees

- Highly complementary corporate cultures
- Best-in-class practice and know-how
- Enhanced professional opportunities
- New challenges and rewards



# **ITI and TVN Strategic Partnership with Canal+ in Poland**

**Conclusions by Wojciech Kostrzewa  
President and CEO of ITI Group**

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# Corporate governance and exit options

## New governance structure of TVN



## Exit path and call rights provided under current set of agreements

### N-Vision (ITI) level

- ITI has a put option to sell to Canal+ a further 9% stake in N-Vision 2 years post signing
- Canal+ has been granted an option to acquire the remaining controlling stake in N-Vision from ITI over time
- Two exercise windows starting 3 and 4 years after closing
- Both Canal+ Group and ITI benefit from effective liquidity rights (sale of N-Vision) allowing for full exit in case Canal+ Group does not exercise its option over ITI stake

## Buyout of own shares by ITI

### Buyout of own shares

- ITI will acquire the 33% interest in ITI Holdings held by companies affiliated to:

- Łukasz Wejchert
- Agata Wejchert-Dworniak
- Victoria Wejchert

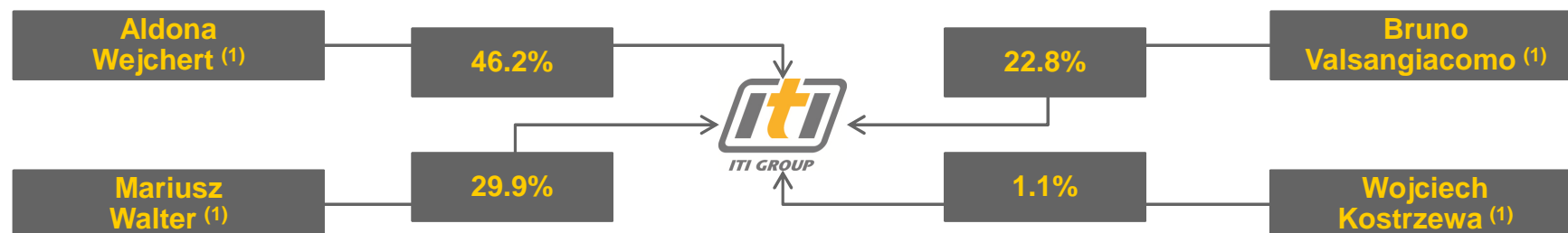
- Upon completion of the buy-back the ITI Group will be owned by companies affiliated to the families of:

- Aldona Wejchert
- Mariusz Walter
- Bruno Valsangiacomo
- Wojciech Kostrzewa

- The buyout will be financed from ITI own resources and a €120m loan from Canal+ Group which is granted as an advanced payment for the stake in N-Vision, to be reimbursed at closing of the transaction

# New ITI ownership and Executive Committee structure

## New ITI ownership structure upon completion of buyback



## Personal changes

- Upon completion of the buyback Łukasz Wejchert will resign from his positions in ITI Group, TVN Group and Onet Group

- ITI Executive Committee
  - Bruno Valsangiacomo
  - Mariusz Walter
  - Aldona Wejchert
  - Wojciech Kostrzewa

- Robert Bednarski, VP and COO in the Onet Group
  - to become a CEO of Onet
  - designated by Supervisory Board of TVN to join the Management Board of TVN Group

1. Companies affiliated to the family.