

Multimedia Polska S.A.

2010 fourth quarter results

1 March 2011

Disclaimer

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Full Year 2010 Highlights

1

EBITDA

- Our FY 2010 EBITDA* was PLN 300.8m increased by ca. 13.5% year-on-year
- We continue to enjoy high EBITDA margin of 53%

2

Subscribers and RGUs

- We increased the number of RGUs to 1,353,000; up 9.5% year-on-year
- We added ca. 40,000 broadband, ca. 35,000 voice subscribers, and ca. 33,500 DTV subscribers year-on-year
- We increased RGU/unique customer ratio to 1.94

3

Opex per RGU

- We reduced operating expenses per RGU per month to PLN 16.4

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

Fourth Quarter 2010 Highlights

→ **We added 38,100 net RGUs**

- 21,700 video RGUs
- 11,400 broadband RGUs
- 5,000 telephony RGUs

→ **We had 695,600 unique customers**

- 362,900 single play subscribers
- 234,900 double play subscribers
- 97,800 triple play subscribers

→ **RGU/subscriber rate was**

- 1.91 in Q3 2010
- 1.94 in Q4 2010

→ **Blended ARPU per subscriber**

- PLN 67.01 in Q3 2010
- PLN 68.15 in Q4 2010

→ **Blended ARPU per RGU**

- PLN 34.18 in Q3 2010
- PLN 34.12 in Q4 2010

RGU Growth Highlights

- Stable organic growth in all our segments was boosted in Q3-Q4 2010 by the addition of a local triple play player—Internet Solutions
- The dynamic growth of our data segment continues
- Owing to vibrant additions of WLR and VoIP users—also from Internet Solutions towards the year-end—we have recorded 16% y-o-y growth in the voice segment
- We are restoring our potential in the video segment. After temporary fluctuations connected with price increases, we are seeing solid growth of analogue video RGUs

Quarter-on-quarter ('000)	Q3 2010	Q4 2010	% change	new adds
video	718	740	3%	22
voice	245	250	2%	5
data	351	363	3%	11
Total	1 315	1 353	3%	38

Year-on-year ('000)	FY 2009	FY 2010	% change	new adds
video	696	740	6%	44
voice	216	250	16%	35
data	323	363	12%	40
Total	1 235	1 353	10%	118



business review

Our subscriber base — 31 December 2010

Our Market

1,200,400
marketable homes

695,600
unique subscribers

1,352,870
total RGUs

Our Services

739,800
video RGUs*

362,700
broadband RGUs

250,300
voice RGUs**

Multiplay

362,900 1-play
subscribers

234,900 2-play
subscribers

97,800 3-play
subscribers

(*) Include 40,700 premium channel RGUs, 9,000 IPTV RGUs and 132,800 DTV RGUs

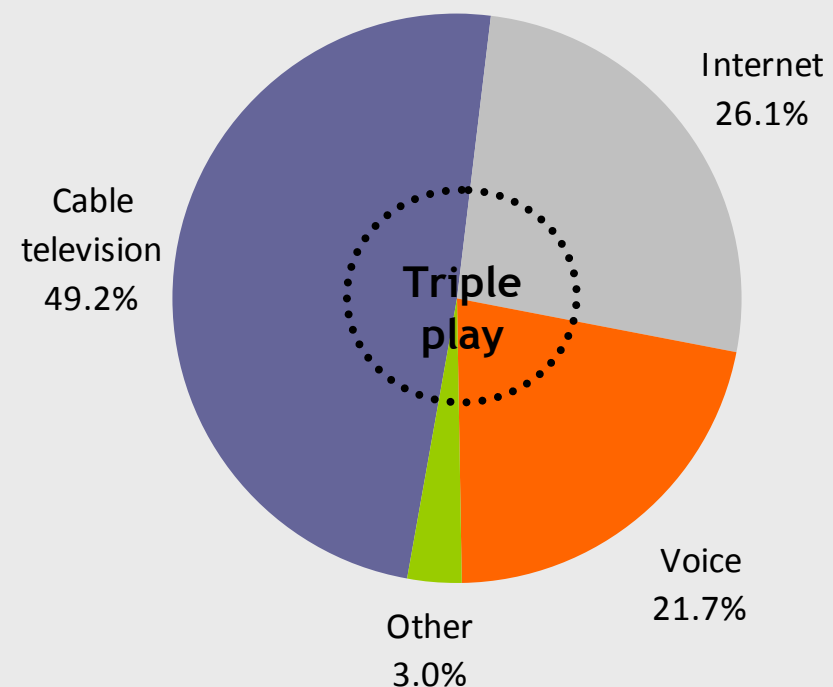
(**) Include 24,600 indirect voice RGUs and approximately 700 payphones

Our products today

Product offering

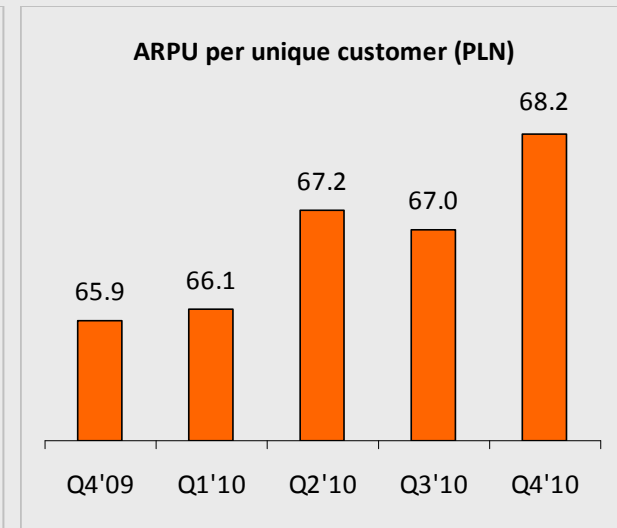
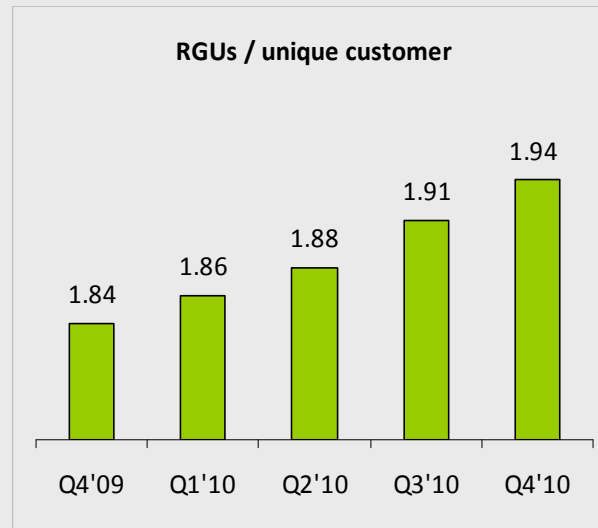
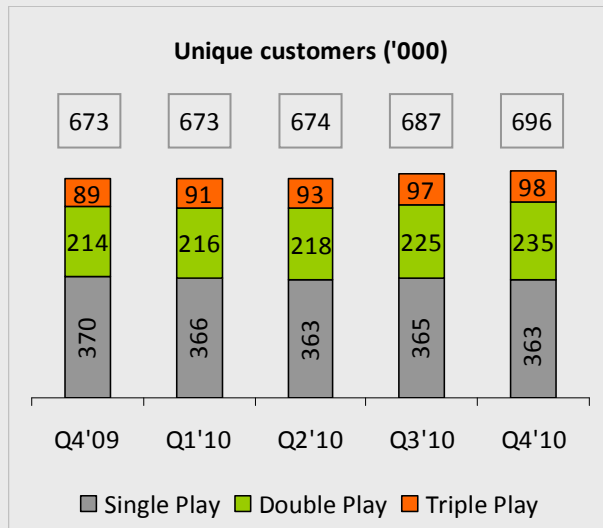
- We have a fully-developed up-to-date and innovative product offering which continues to be expanded in line with technological advance
- Our products comprise primarily:
 - CATV (analog TV, IPTV, DTV, premium channels, VoD)
 - Internet (broadband, broadband DSL, Wi-Fi, Wi-Max, mobile)
 - Telephony (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

FY 2010 revenue breakdown



Subscribers and ARPU

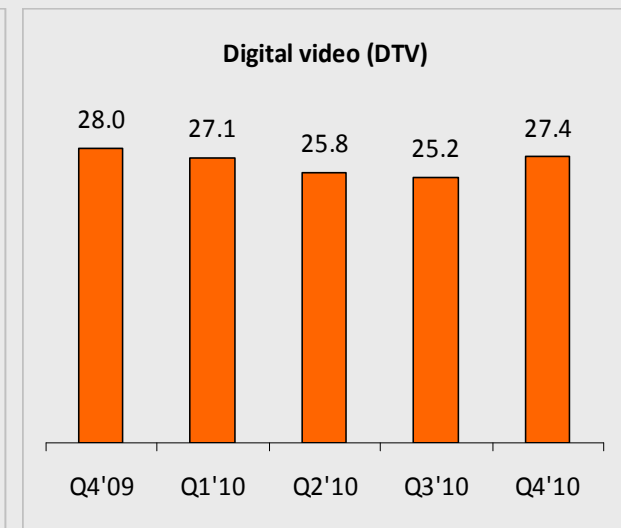
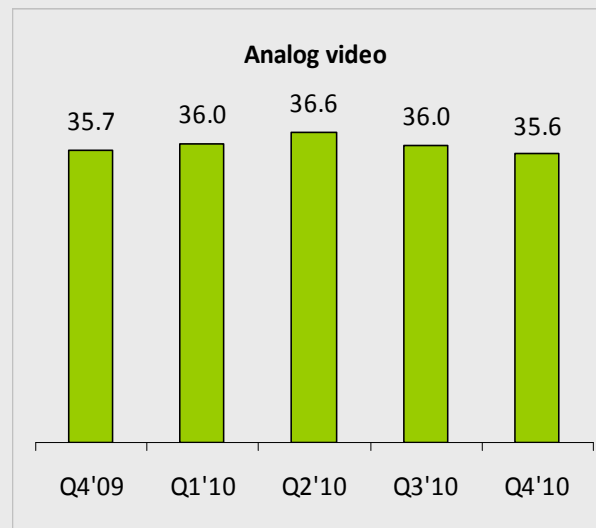
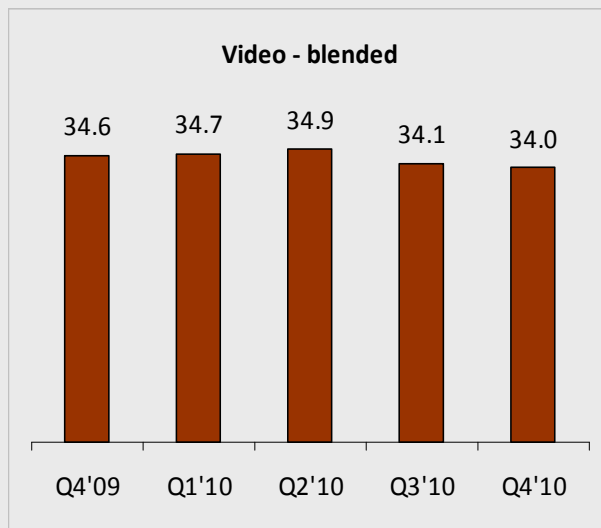
- The stable upward trend in ARPU/HC was disrupted in Q3 2010 by the acquisition of Internet Solutions. If the acquisition were eliminated as one-off, our ARPU/HC would have been at ca. PLN 67.5 in Q3 2010. We fully expect the ratio to continue to rise in the future as evidenced already in Q4 2010
- RGU per unique customer increased from 1.91 in Q3 2010 to 1.94 in Q4 2010



Note: The dip in Q3'10 is attributable to the acquisition of Internet Solutions

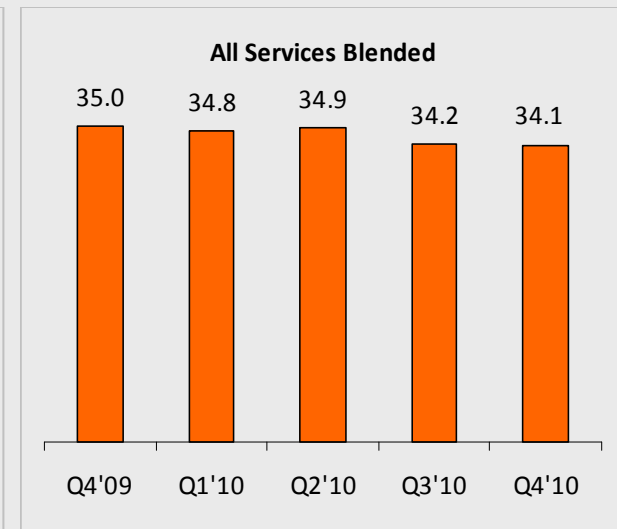
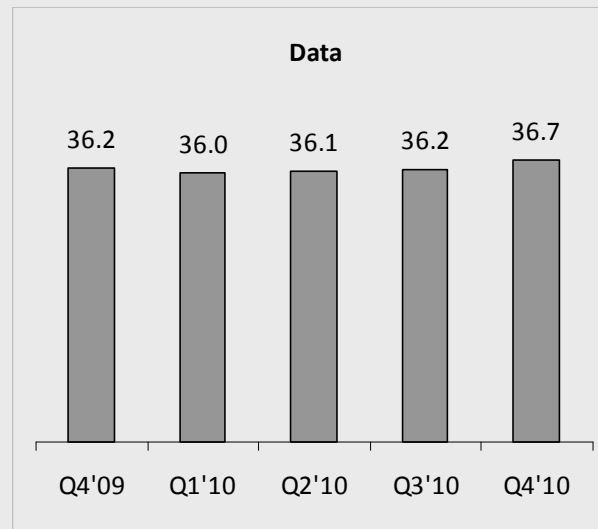
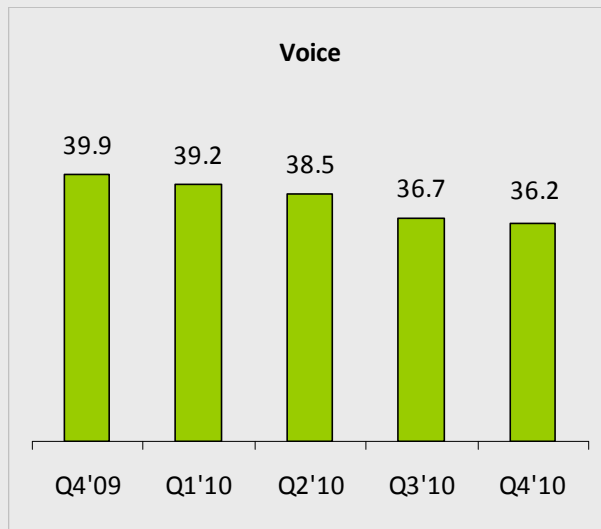
ARPU per RGU — video services

- We have modified our approach to promoting our DTV product; hence, the trend in DTV ARPU has now reversed
- Our sales rates in H1 2010 in the video segment failed to satisfy. We promptly modified our pricing strategy and offered deeper promotions, which translated into a slight dip in ARPU
- Our ARPU figures are also affected by the acquisition of Internet Solutions. Their CATV pricing was much lower than ours



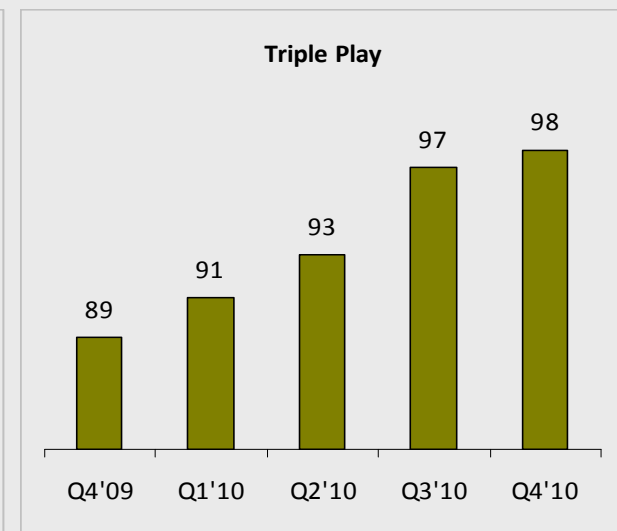
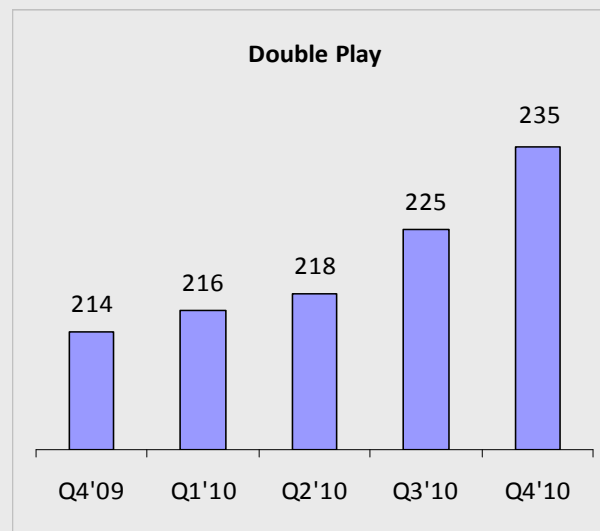
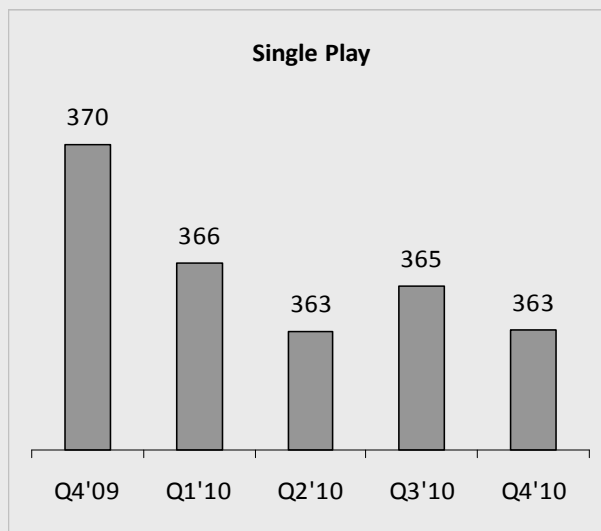
ARPU per RGU — voice and data

- **VoIP:** Although ARPU on the service decreased further in Q4 2010, positive net additions of VoIP users produced higher 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 continues to be stable and vibrant additions of broadband users translate into solid revenue growth.



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 increase in single play subscribers in Q3 2010 is exclusively attributable to the acquisition of Internet Solutions

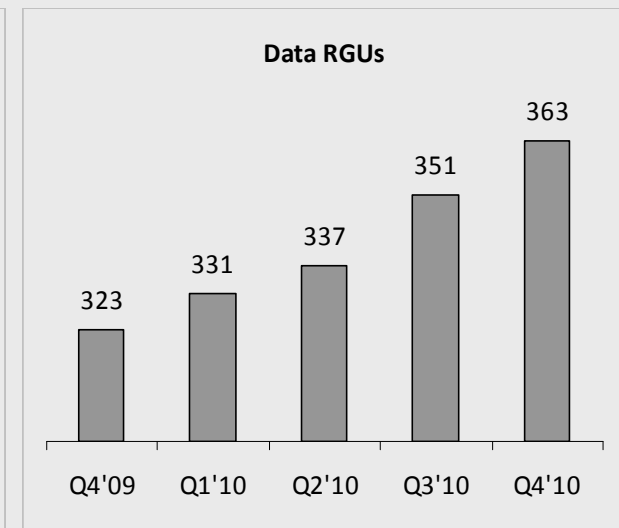
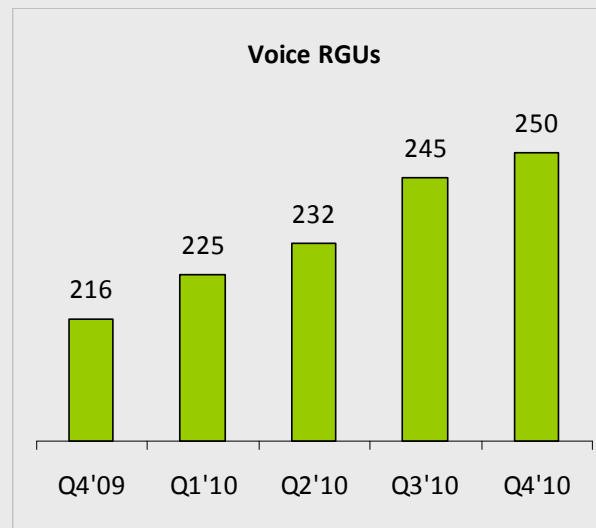
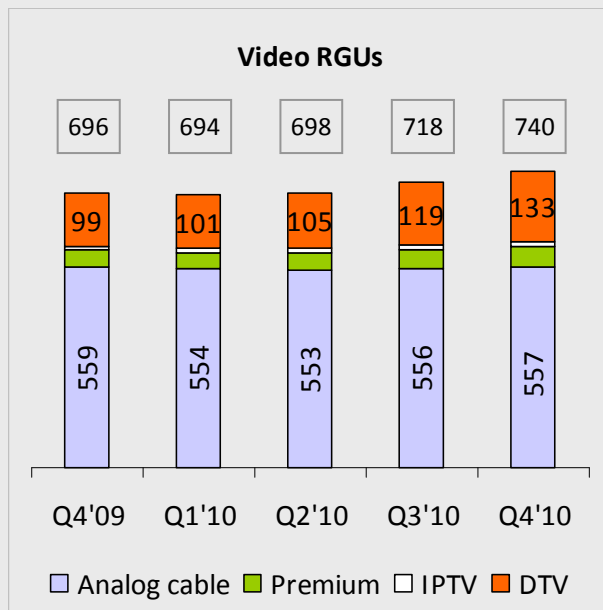


Note: The rise in Q3'10 is attributable to the acquisition of Internet Solutions

All data in thousands

Growth of Customer Base

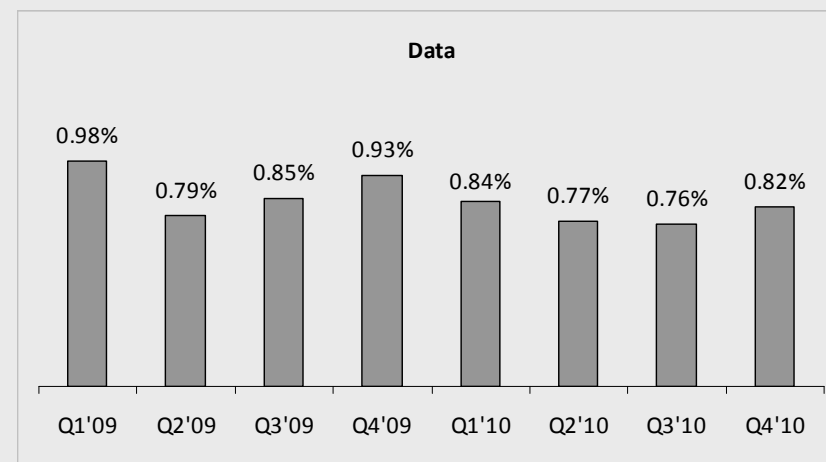
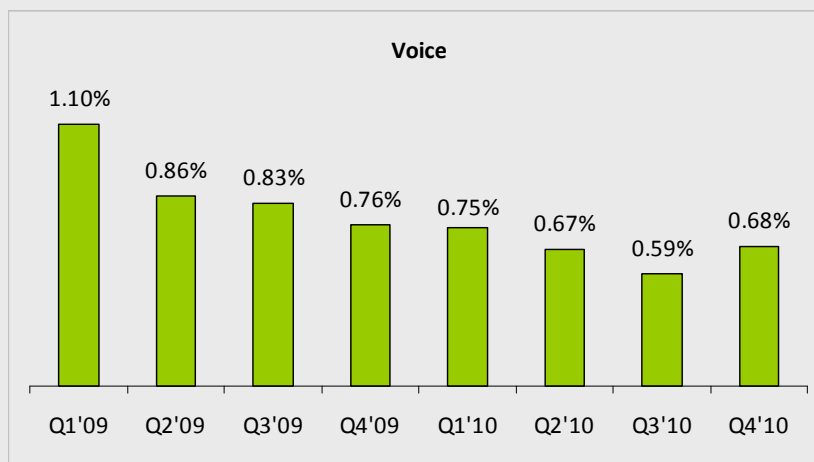
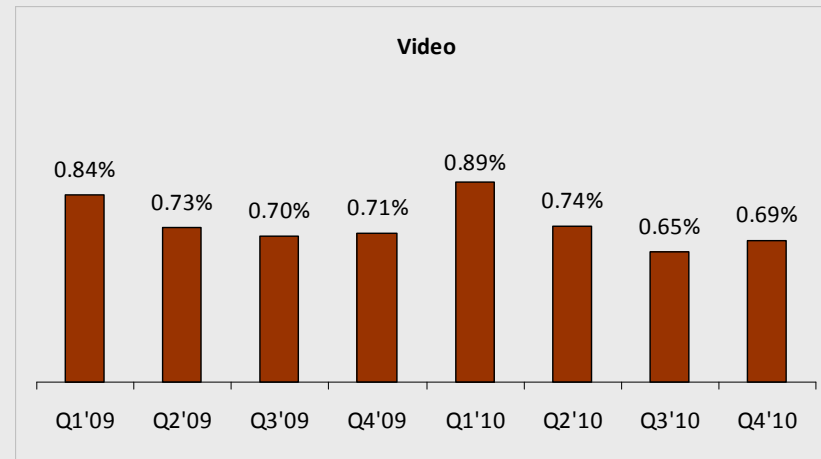
- Stable and solid growth of Revenue Generating Units quarter on quarter in all service groups
- As regards analogue video, in H1 2010 we had a more conservative promotional policy in place that brought about a slight decrease in analogue video RGUs. In H2 2010, we decided to comply with market expectations by offering deeper promotions. We were able to rebuild our analogue customer base to a large extent as a result



All data in thousands

Churn *- under control due to service bundling*

- Reducing churn was one of our strategic objectives for 2010. We believe attractive products and pricing are the key to success alongside high quality of both services and customer care
- We managed to reduce churn effectively in all our core segments



Monthly average in a given quarter



financial review

Revenue Structure Quarterly

- Basic CATV revenues have fallen due to a change in our pricing strategy necessitated by the need to rebuild our customer base. We believe the fall is under no circumstances an indication of a permanent reverse trend
- The decline in premium CATV revenues was connected with migrations of premium customers to digital television. DTV revenues continue to grow in line with RGU additions
- The impact of dynamic growth of Internet RGUs on revenues was partly offset by price discounts
- The voice segment is on a slight rise y-o-y due to dynamic WLR sales and higher wholesale revenues

Revenues (PLN '000)	Q4 2009	Q3 2010	Q4 2010	y-o-y % change	q-o-q % change
basic CATV	59 769	59 837	59 420	-1%	-1%
premium CATV	345	177	158	-54%	-11%
DTV & IPTV	8 703	9 252	11 164	28%	21%
internet	34 491	37 319	39 358	14%	5%
telephony	29 965	30 563	32 056	7%	5%
other revenues	4 646	4 471	4 794	3%	7%
Total Revenues	137 919	141 618	146 950	7%	4%

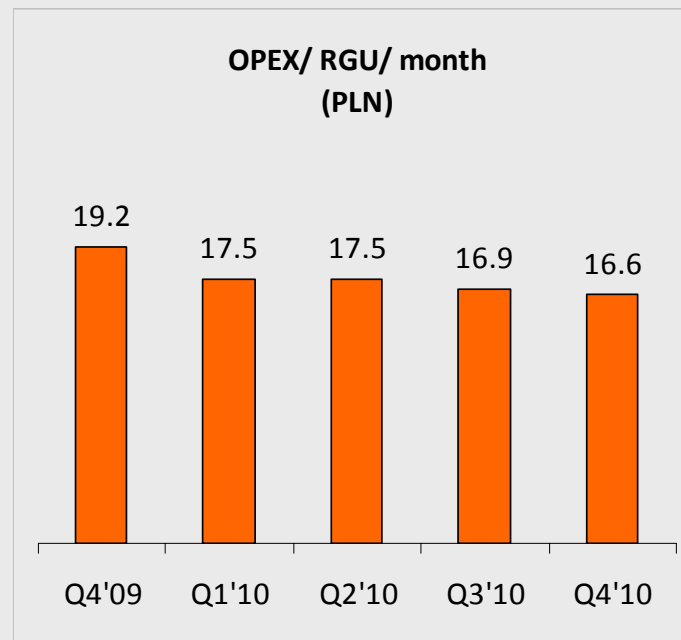
Operating Expenses Quarterly

- The structure of our quarterly expenses fluctuates considerably as a result of significant one-off events. It is our strategic goal, however, to keep the overall change in operating expenses below that of our revenues

Expenses (PLN '000)	Q4 2009	Q3 2010	Q4 2010	y-o-y % change	q-o-q % change
programming and copyrights	15 489	16 080	15 927	3%	-1%
bandwidth	1 874	1 263	1 171	-37%	-7%
interconnect	5 307	4 111	4 199	-21%	2%
network costs	11 246	11 493	11 767	5%	2%
sales and marketing	4 793	3 516	4 367	-9%	24%
payroll and benefits	21 197	16 558	16 484	-22%	0%
taxes and charges	2 884	2 965	2 889	0%	-3%
professional services	980	1 608	1 439	47%	-10%
energy and materials	5 101	4 033	5 328	4%	32%
other expenses	2 374	5 090	3 943	66%	-23%
Total Expenses	71 244	66 716	67 514	-5%	1%
OPEX/ RGU /month	19.2	16.9	16.6	-13%	-2%

Operating Expenses Quarterly

- In Q4 2010 the ratio declined again from Q3 2010. With our restrictive cost control approach we have been able to increase our RGU base by 3% while keeping our operating costs under control (+1% q/q)
- Please note that without one-offs (described in Q1 2010), our Q4 2009 OPEX/ RGU/ month would have been at PLN 17.5



Income Statement Quarterly

Income Statement (PLN '000)	Q4 2009	Q3 2010	Q4 2010	y-o-y % change	q-o-q % change
Revenues	137 919	141 618	146 950	7%	4%
Expenses (excl. D&A)	71 244	66 716	67 514	-5%	1%
Adjusted EBITDA	72 164	75 255	79 180	10%	5%
<i>margin</i>	52.3%	53.1%	53.9%	-	-
Operating profit	29 883	33 159	35 240	18%	6%
Net interest	(5 633)	(10 152)	(10 398)	85%	2%
Pretax profit	24 251	23 007	24 842	2%	8%
Tax	1 980	4 009	(1 520)	-	-
Net income	22 271	18 998	26 361	18%	39%

Revenue Structure Year-on-Year

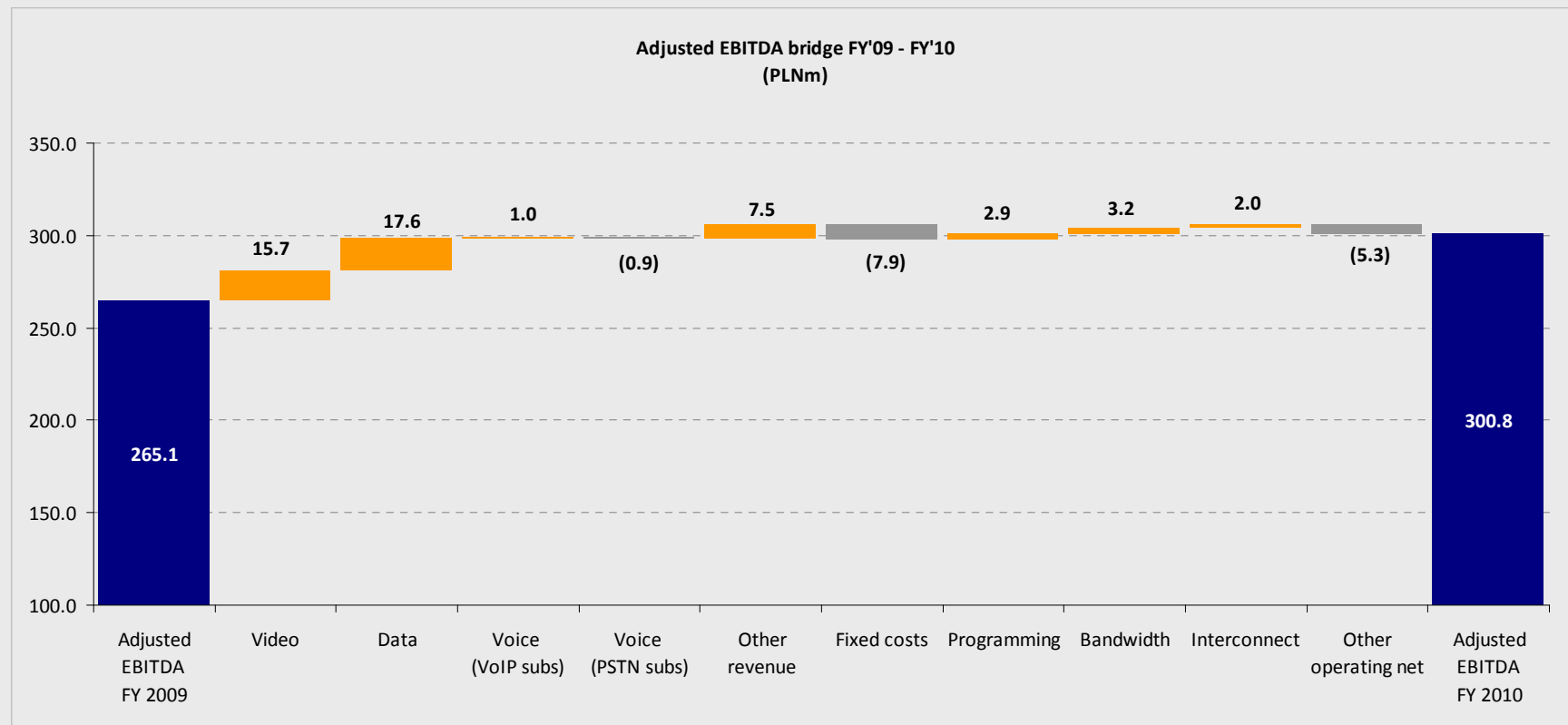
Revenues (PLN '000)	FY 2009	FY 2010	% change
basic CATV	233 752	240 298	3%
premium CATV	1 824	764	-58%
DTV & IPTV	27 725	37 981	37%
internet	130 542	148 129	13%
telephony	117 295	123 012	5%
other revenues	15 180	17 033	12%
Total Revenues	526 318	567 216	8%

Operating Expenses Year-on-Year

- We have a fairly conservative cost control policy. With revenues up 8% y-o-y our operating expenses remained unchanged
- Renegotiations of commercial fees and bandwidth prices enabled us to reduce variable expenses considerably
- Our OPEX/RGU/month has fallen noticeably by 9% as a result of our costs being kept low and RGUs growing by 10% y-o-y

Expenses (PLN '000)	FY 2009	FY 2010	% change
programming and copyrights	65 093	62 232	-4%
bandwidth	8 805	5 564	-37%
interconnect	18 605	16 640	-11%
network costs	44 010	45 807	4%
sales and marketing	15 322	14 499	-5%
payroll and benefits	69 964	69 794	0%
taxes and charges	11 513	11 865	3%
professional services	3 260	5 522	69%
energy and materials	17 107	17 578	3%
other expenses	12 626	16 672	32%
Total Expenses	266 305	266 174	0%
OPEX/ RGU /month	18.0	16.4	-9%

EBITDA Bridge*



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

Income Statement Year-on-Year

- Net income grew by PLN 18.5m over FY 2009 primarily on the back of variable cost reductions (all items incl. programming, bandwidth and interconnect) and PLN 41m growth of revenues
- At the same time, the net income was adversely impacted by high finance costs (net interest up PLN 20m from FY 2009) directly attributable to greater indebtedness of the Multimedia Group connected with share buy back

Income Statement (PLN '000)	FY 2009	FY 2010	% change
Revenues	526 318	567 216	8%
Expenses (excl. D&A)	266 305	266 174	0%
Adjusted EBITDA	265 096	300 838	13%
<i>margin</i>	<i>50.4%</i>	<i>53.0%</i>	-
Operating profit	102 472	134 529	31%
Net interest	(20 669)	(40 692)	97%
Pretax profit	81 803	93 837	15%
Tax	17 675	11 191	-
Net income	64 128	82 646	29%

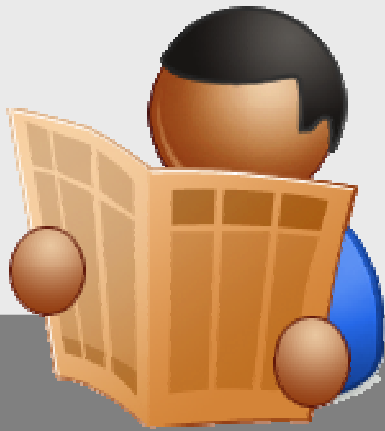
Balance Sheet

Balance Sheet (PLN '000)	31-12-09	31-12-10	% change
Assets			
non-current	1 101 619	1 099 270	0%
current	65 209	82 869	27%
incl. cash & equivalents	4 802	16 404	242%
Total assets	1 166 828	1 182 139	1%
Equity			
	633 945	355 702	-44%
Liabilities			
non-current	364 851	604 662	66%
current	168 032	221 775	32%
Total equity & liabilities	1 166 828	1 182 139	1%

Capital Expenditures

- We spent ca. PLN 37.3m on capital expenditure in Q4 2010
- Our Q4 2010 growth CAPEX accounted for 80% of total organic CAPEX

CAPEX (PLN '000)	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
growth	39 100	27 000	29 200	29 800	125 100
other	5 600	1 400	7 800	7 500	22 300
acquisitions	-	-	16 600	-	16 600
Total CAPEX	44 700	28 400	53 500	37 300	163 900



contact & upcoming

Contact us

→ Investor Relations Office
tel. +48 22 553 86 00
fax. +48 22 553 86 03
ir@multimedia.pl

→ Stefan Kossecki
Head of Investor Relations
tel. +48 22 553 86 10
fax. +48 22 553 86 03
s.kossecki@multimedia.pl

Or visit our Investor Relations website
www.multimedia.pl/investor

Upcoming

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|--------------------------------------|----------------------|
| → Extraordinary General Meeting: | 7 March 2011, 1.30pm |
| → Publication of 2010 annual report: | 18 April 2011 |
| → Publication of Q1 2011 results: | 11 May 2011 |