Multimedia Polska S.A.

2013 first quarter results

14 May 2013

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First Quarter 2013 Highlights

1

EBITDA

- Our Q1 2013 EBITDA* was PLN 91.0m increased by ca. 11.0% year-on-year
- We continue to enjoy high EBITDA margin of 51.5%

2

Subscribers and RGUs

- We increased the number of RGUs to 1,776,700; up 15.1% year-on-year
- We added ca. 81,900 DTV subscribers, ca. 71,800 broadband, and ca. 18,000 voice subscribers year-on-year
- Our RGU/unique customer ratio was 2.15

3

Opex per RGU

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

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

First Quarter 2013 Highlights

- **We added 13,300 net RGUs**
  - 8,200 video RGUs
  - 4,500 broadband RGUs
  - 600 telephony RGUs

- **We had 824,700 unique customers**
  - 417,600 single play subscribers
  - 286,700 double play subscribers
  - 120,400 triple play subscribers

- **RGU/subscriber rate**
  - 2.15 in Q1 2013
  - 2.13 in Q4 2012

- **Blended ARPU per subscriber**
  - PLN 68.70 in Q1 2013
  - PLN 69.28 in Q4 2012

- **Blended ARPU per RGU**
  - PLN 30.74 in Q1 2013
  - PLN 31.37 in Q4 2012

RGU Growth Highlights

- 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 full pricelist rate 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
- Furthermore, we were also affected by the recent disturbances with nC+ offering, and some churn was observed as a result. The situation has been straightened out by nC+ and no further problems are expected

Quarter-on-quarter ('000)	Q4 2012	Q1 2013	% change	new adds
video	1 001	1 009	1%	8
voice	285	285	0%	1
data	478	482	1%	4
Total	**1 763**	**1 777**	**1%**	**13**

Year-on-year ('000)	Q1 2012	Q1 2013	% change	new adds
video	861	1 009	17%	148
voice	271	285	5%	14
data	410	482	18%	72
Total	**1 543**	**1 777**	**15%**	**234**

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Business Review

Our Subscriber Base — 31 March 2013

Our Market	**1,497,100** **marketable homes**	**824,700** **unique subscribers**	**1,776,700** **total RGUs**
Our Services	**1,009,200** **video RGUs***	**482,100** **broadband RGUs**	**285,400** **voice RGUs****
Multiplay	**417,600** **1-play subscribers**	**286,700** **2-play subscribers**	**120,400** **3-play subscribers**

(*) Include 101,100 premium channel RGUs, 14,100 IPTV RGUs and 271,800 DTV RGUs

(**) Include 22,200 indirect voice RGUs and approximately 600 payphones

Our Products Today

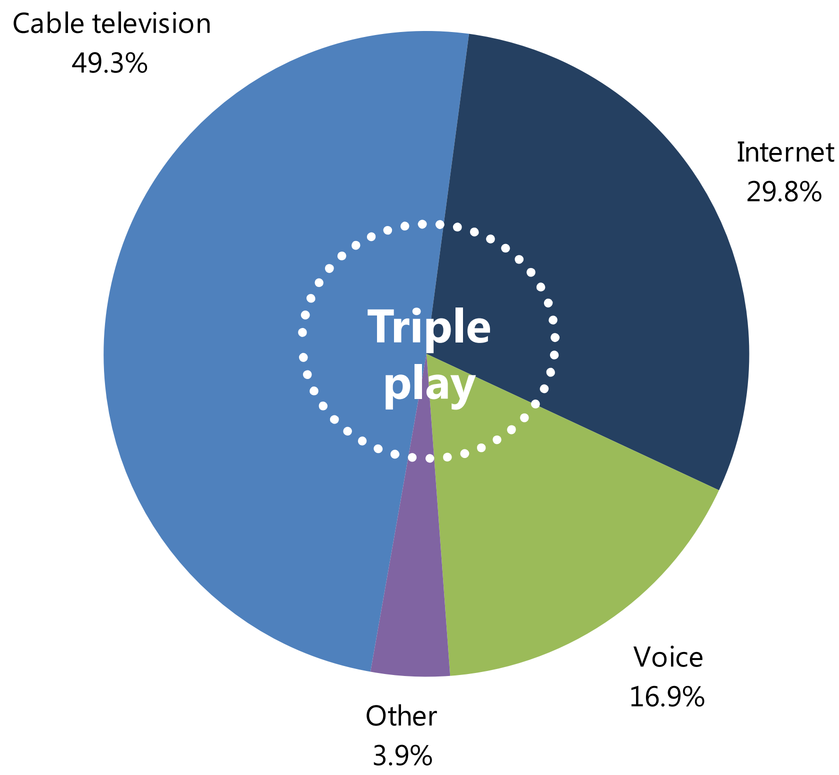
Product offering

→ 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:
  - CATV (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)

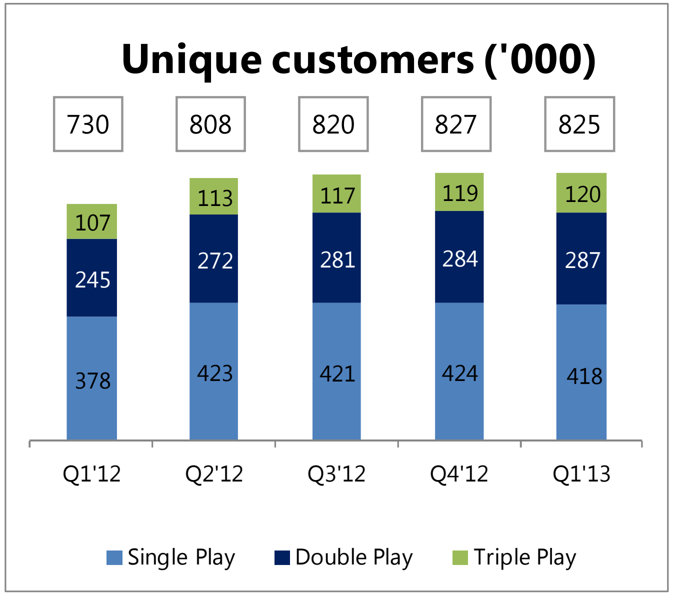
→ We have already achieved our target revenue structure and continue to expand each segment

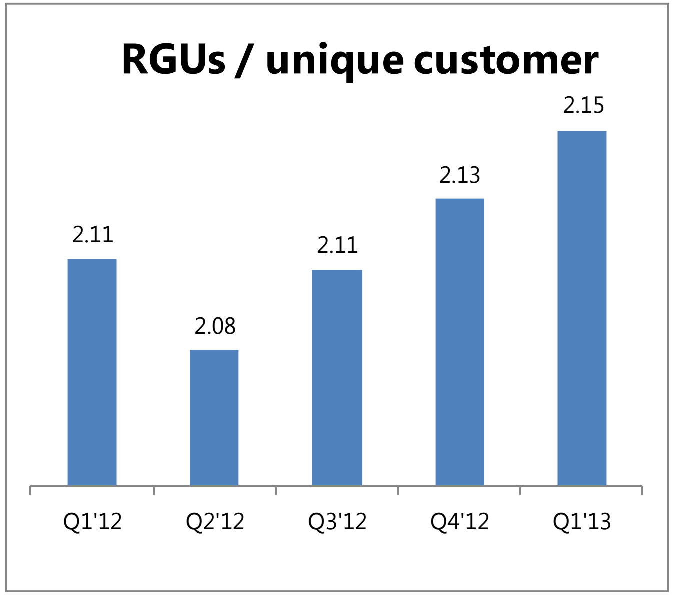
Q1 2013 revenue breakdown

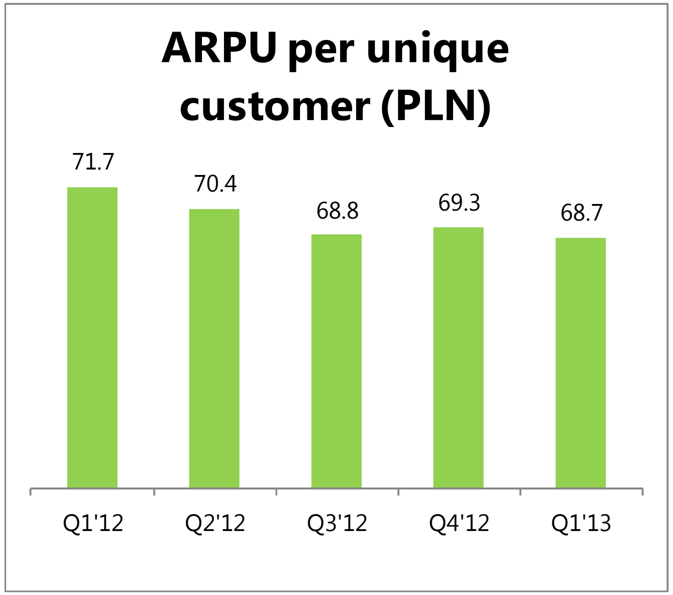


Subscribers and ARPU

- The decrease in unique customers was connected with disturbances spurred by the change of offering of nC+ and also with some minor migrations of 1-play customers to Digital Terrestrial Television (DTT)
- The drop in ARPU per unique customer in Q2 and Q3 2012 is attributable exclusively to the acquisition of Stream Communications and Diana. The drop in Q1 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 2.13 in Q4 2012 to 2.15 in Q1 2013

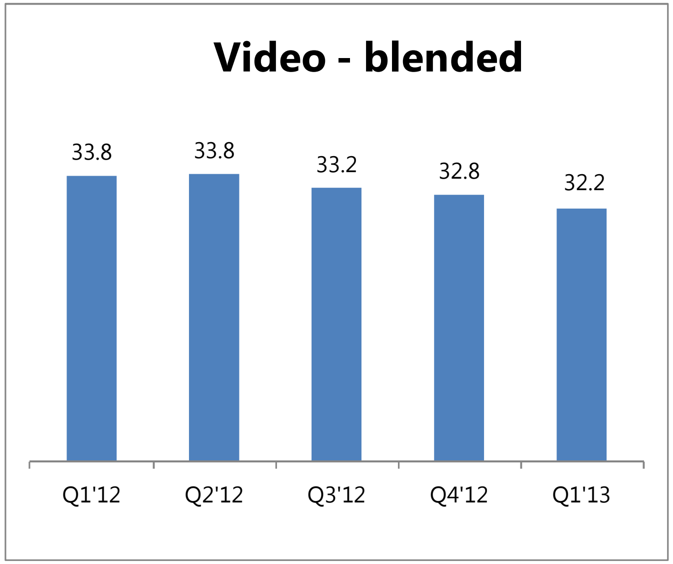


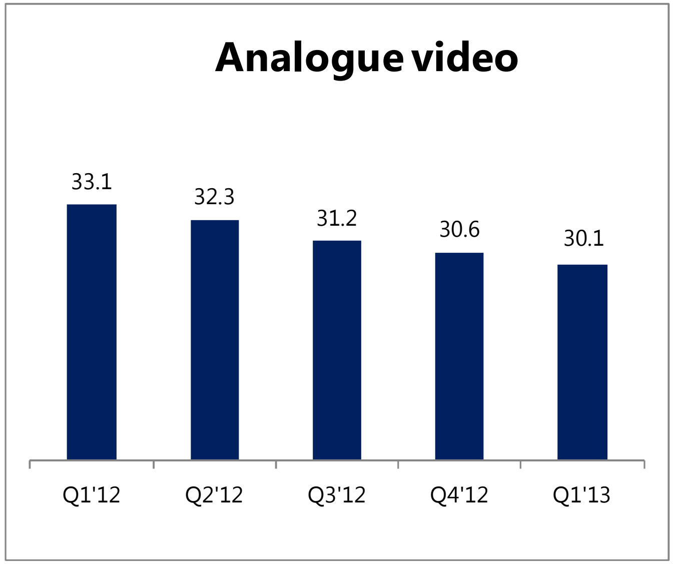


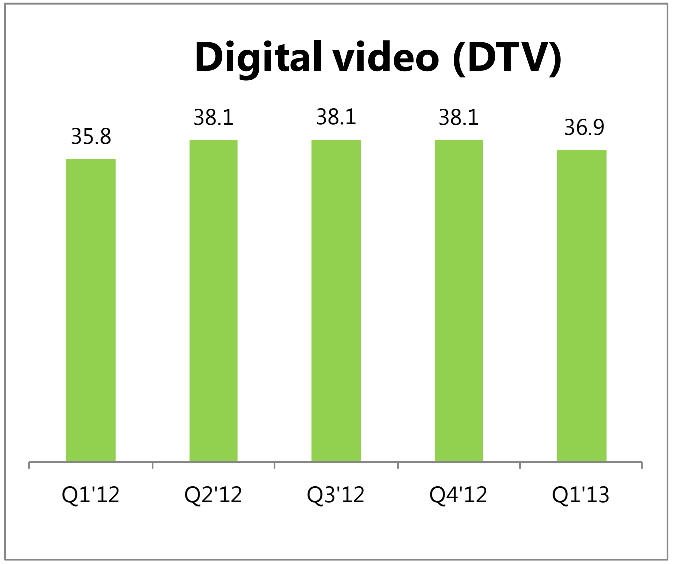


ARPU per RGU —video services

- Over 2012 we decided to incentivise 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 Q2-Q3’13 and will also provide comparable statistics according to our current methodology. This change will also to some extent affect DTV and ATV ARPU
- The failed attempt of nC+ to raise prices has put on hold the idea of immediate price increases in the video segment. We still believe the process is inevitable but will most probably be delayed by 6-12 months
- Another factor impacting ARPU in Q1’13 are the ‘transition prices’ that we introduced in January. We believe this policy will bring higher ARPU starting from Q3’13





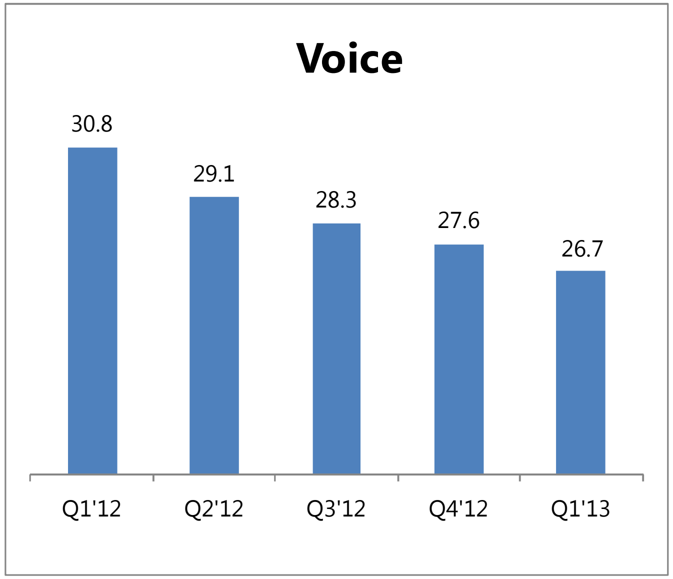


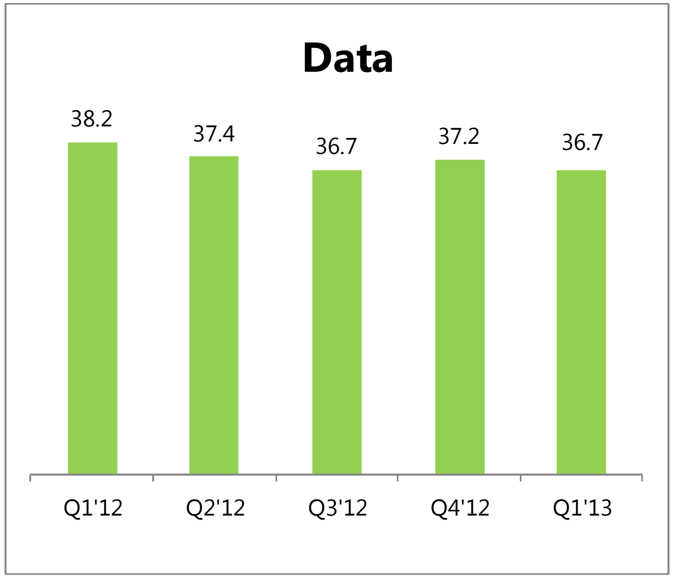
Note: ARPU figures are affected by recent acquisitions (Stream in Q2’12, Diana in Q3’12, and Transmitel in Q4’12)

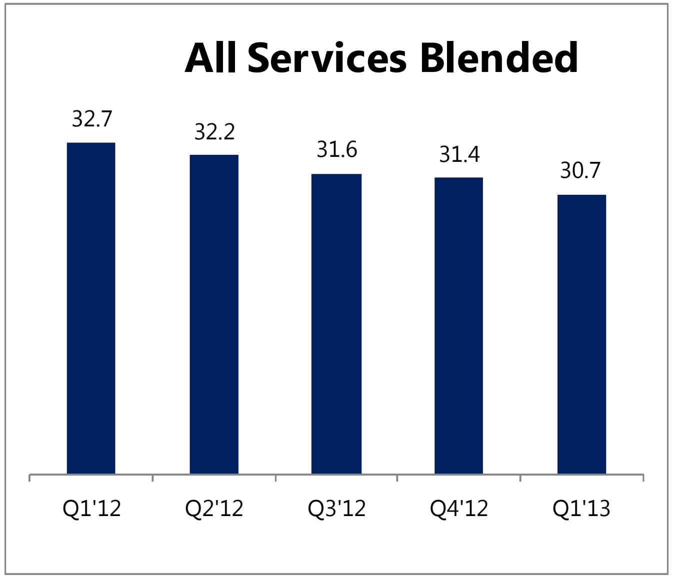
All data in PLN

ARPU per RGU —voice and data

- **VoIP**: Although ARPU on the service decreased further in Q1 2013, 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 dips slightly because of the acquisitions; however, stable and vibrant additions of broadband users translate into solid revenue growth. 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 Q1'13 are the 'transition prices' that we introduced in January. We believe this policy will bring higher ARPU starting Q3'13



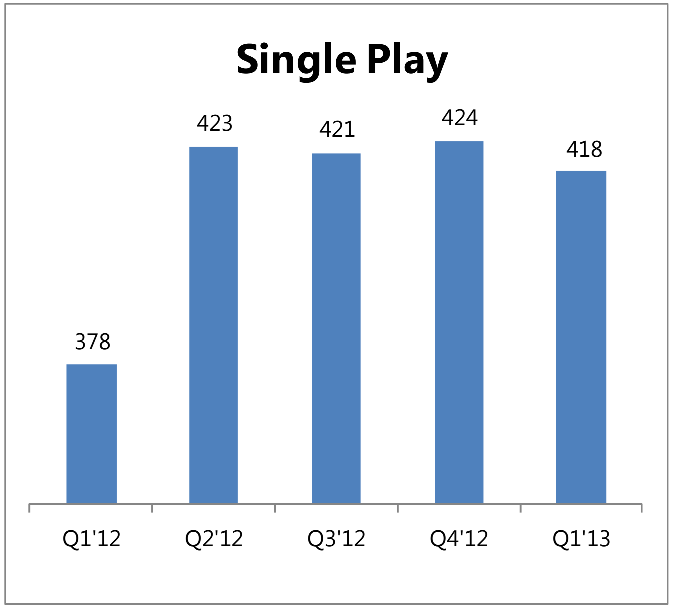


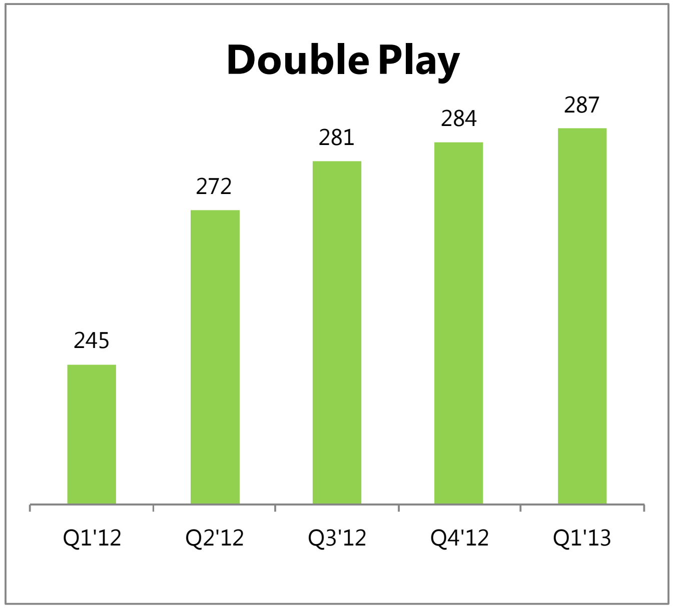


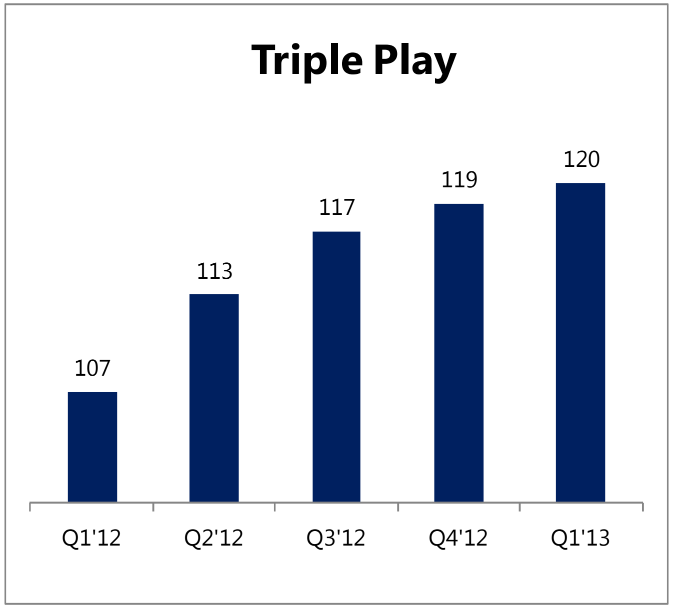
All data in PLN

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 steep rises in all customer categories in Q2 2012 are attributable to the consolidation of Stream effective as of May 2012; we believe that 1- and 2-play customers can soon be upgraded to higher service multiples, which has already been evidenced in Q1 2013 when our dynamic upsell of services took our RGU/subscriber ratio up to 2.15
- There is a drop in 1-play customer base in Q1 2013 in favour of 2- and 3-play, as expected





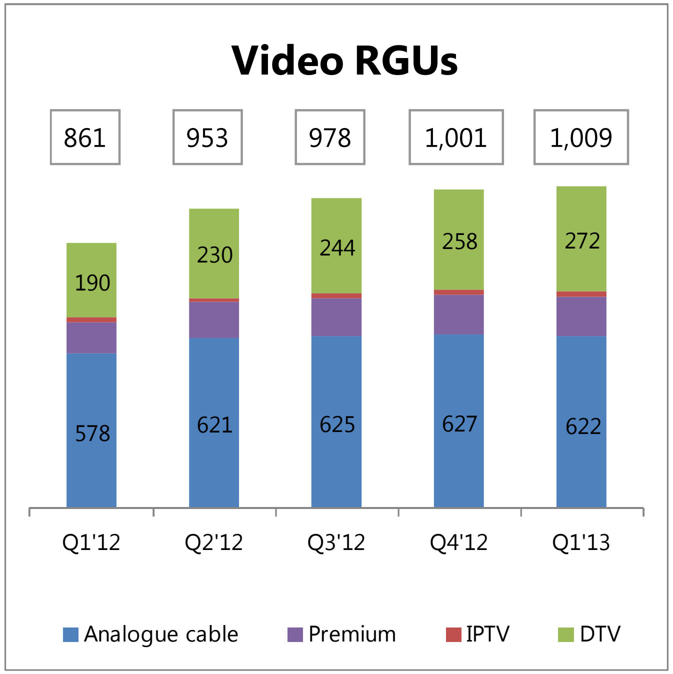


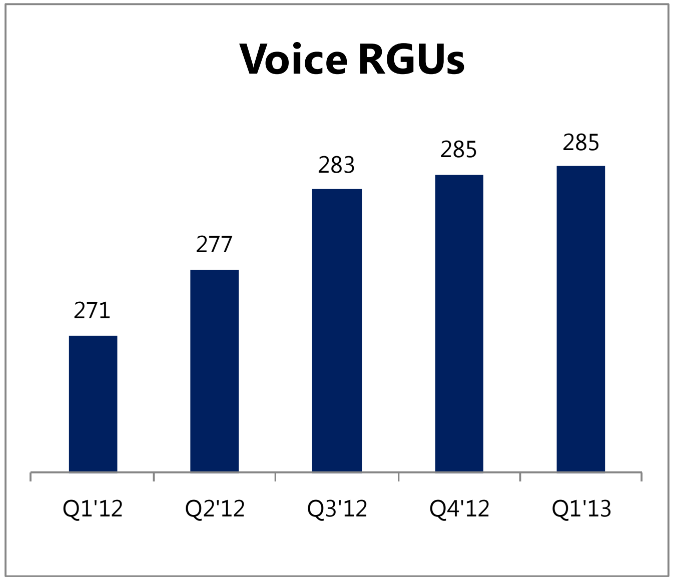
Note: The rise in Q2'12 is attributable to consolidation of Stream Communications

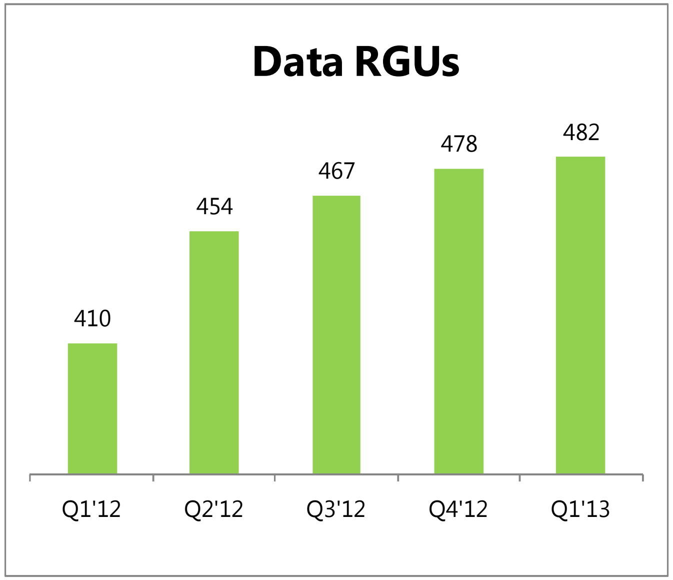
All data in thousands

Growth of Customer Base

- Stable growth of Revenue Generating Units quarter on quarter owing to the consolidation of Stream, Diana, and Transmitel, as well as organic growth
- Please note that we will be adjusting our RGU reporting approach starting mid-year as we will have a new DTV only service (nDTV), not sold on top of ATV as before; hence some of our RGUs will become one (nDTV) instead of the current two RGUs (ATV+DTV)



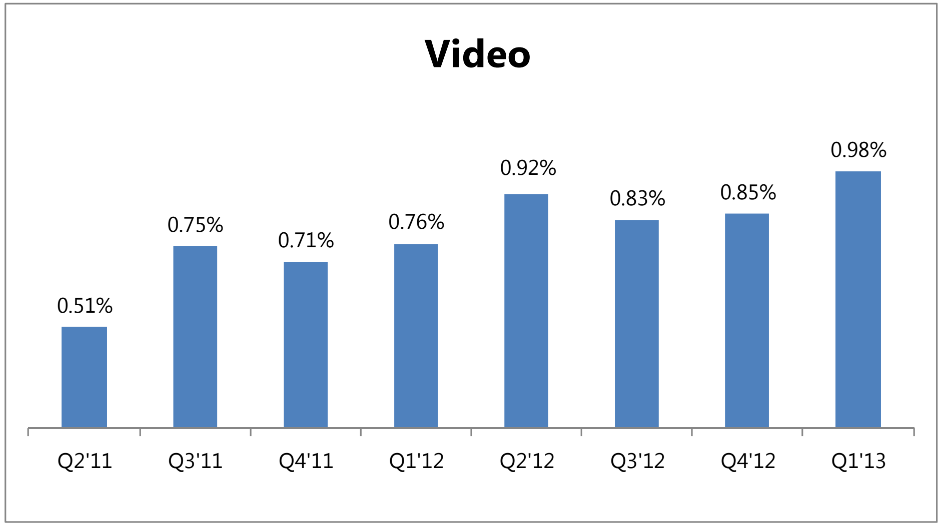


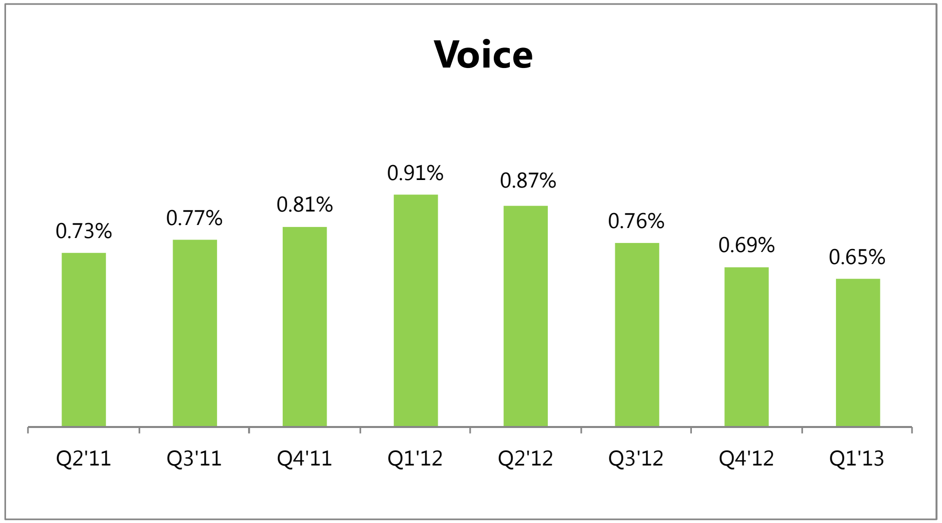


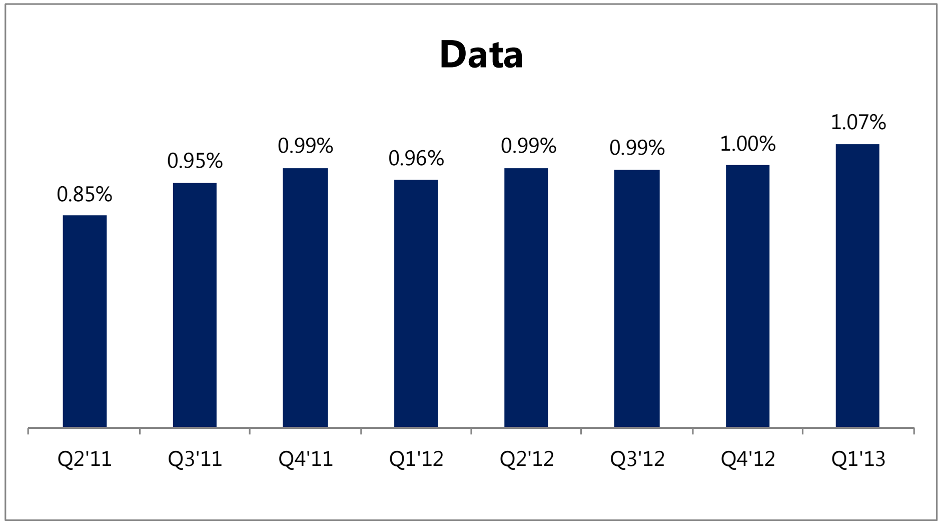
All data in thousands

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
- 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 full pricelist
- Higher churn rates in Q1’13 are the result of terminations filed by subscribers in Q4’12. We want to counteract this by implementing the new transition rates policy







Monthly average in a given quarter

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Financial Review

Revenue Structure Quarterly

- The quarter-on-quarter drop in total revenues is related to the implementation of the 'transition rates' policy. This mechanism entailed a one-off 1% drop in revenues in Q1'13. 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. That would have a more negative impact on revenues in the following quarters, while we strongly believe that the Q1'13 negative growth will be reversed in future periods
- DTV revenues continue to grow in line with RGU additions, also coming from the acquisition of Stream, Diana, and Transmitel
- Internet revenues grow thanks to dynamic additions of broadband subscribers (incl. Stream, Diana and Transmitel)
- 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 aggressive promotion of bundled services

Revenues (PLN '000)	**Q1 2012**	**Q4 2012**	**Q1 2013**	**y-o-y % change**	**q-o-q % change**
basic CATV	57 005	57 500	56 301	-1%	-2%
DTV & IPTV	21 277	30 235	30 978	46%	2%
internet	46 391	52 741	52 782	14%	0%
telephony	32 003	30 924	29 894	-7%	-3%
other revenues	6 277	6 763	6 972	11%	3%
Total Revenues	**162 953**	**178 163**	**176 928**	**9%**	**-1%**

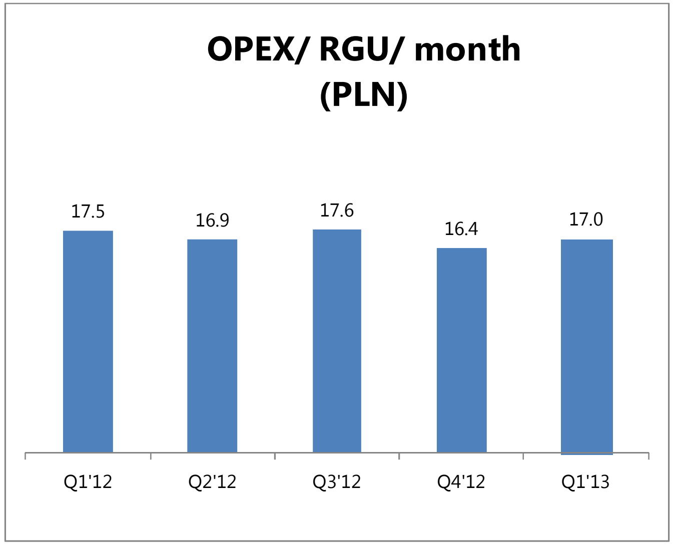
Operating Expenses Quarterly

- Quarter on quarter, we kept our variable costs under control. The slight increase in bandwidth expenses is connected with a surge in broadband connection speeds delivered to all our broadband subscribers. Our most popular broadband offering today is 30 Mb/s; we also offer 60, 120 and 250 Mb/s. Our technology gives us an enormous competitive advantage over TPSA and Netia
- As regards fixed costs, the largest increases were recorded in professional services, energy and materials, and payroll and benefits. The increase in payroll and benefits was related to further reductions in headcount and the related severance pays. The rise in energy and materials comprised some carry-forward costs of 2012. Higher professional services involved a portion of fees for advisory services connected with the issue of our new 7-year bonds
- Programming and copyrights, S&M, network costs, and payroll and benefits went up y-o-y partly as a result of the acquisition of Stream, Diana and Transmitel

Expenses (PLN '000)	**Q1 2012**	**Q4 2012**	**Q1 2013**	**y-o-y % change**	**q-o-q % change**
programming and copyrights	21 757	26 845	26 682	23%	-1%
bandwidth	1 138	682	794	-30%	17%
interconnect	4 661	4 765	3 862	-17%	-19%
network costs	12 973	13 795	14 298	10%	4%
sales and marketing	3 829	3 448	3 617	-6%	5%
payroll and benefits	19 348	21 754	22 968	19%	6%
taxes and charges	3 569	3 293	3 538	-1%	7%
professional services	3 096	1 317	2 489	-20%	89%
energy and materials	4 708	4 598	5 568	18%	21%
other expenses	5 921	6 074	6 548	11%	8%
Total Expenses	**81 001**	**86 571**	**90 365**	**12%**	**4%**
OPEX/ RGU /month	17.5	16.4	17.0	-3%	4%

Operating Expenses Quarterly

- In 2012, our operating expenses were heavily impacted by non-recurring events, which had a major impact on our OPEX/RGU/month ratio
- If those non-recurring events were excluded, the ratio would have followed the regular historical downward trend

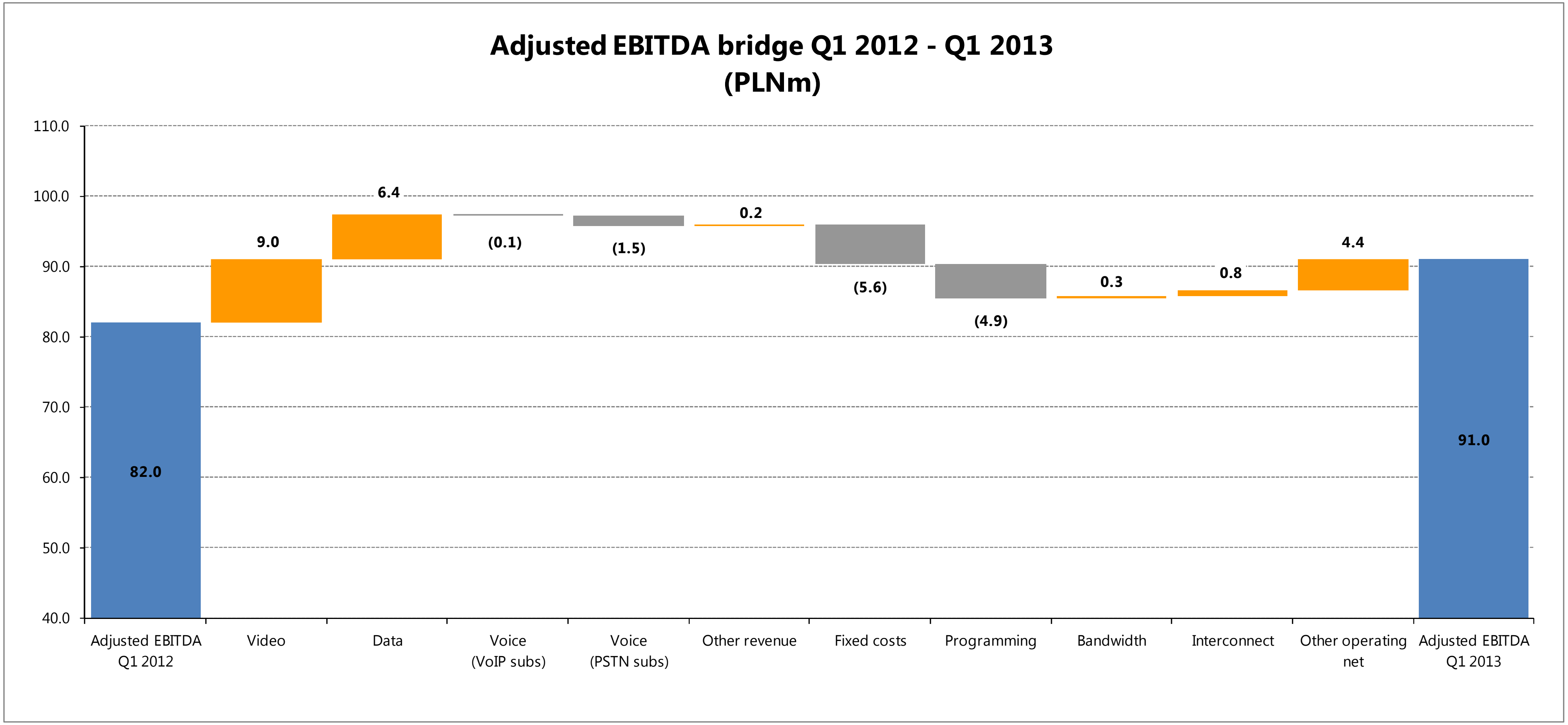


Income Statement Quarterly

- Our revenues went up year on year primarily thanks to acquisitions and organic growth in the video and broadband segments
- The growth in customer base and expansion of network coverage as a result of acquisitions and organic growth led to higher programming & copyright expenses, higher network costs and energy consumption
- We also recorded higher finance costs connected with the indebtedness we incurred to finance our acquisitions

Income Statement (PLN '000)	**Q1 2012**	**Q4 2012**	**Q1 2013**	**y-o-y % change**	**q-o-q % change**
Revenues	162 953	178 163	176 928	9%	-1%
Expenses (excl. D&A)	81 001	86 571	90 365	12%	4%
Adjusted EBITDA	82 008	92 515	91 043	11%	-2%
margin	*50.3%*	*51.9%*	*51.5%*	-	-
Operating profit	36 033	33 021	34 234	-5%	4%
Net interest	(12 293)	(16 710)	(16 446)	34%	-2%
Pretax profit	24 052	16 311	17 788	-26%	9%
Tax	5 346	3 868	3 414	-	-
Net income	18 707	12 444	14 373	-23%	16%

EBITDA Bridge*



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

Balance Sheet

Balance Sheet (PLN '000)	31-12-12	31-03-13	% change
Assets			
non-current	1 366 669	1 349 581	-1%
current	113 327	126 683	12%
incl. cash & equivalents	4 876	2 246	-54%
Total assets	**1 479 995**	**1 476 264**	**0%**
Equity	275 264	289 637	5%
Liabilities			
non-current	824 819	823 038	0%
current	379 912	363 589	-4%
Total equity & liabilities	**1 479 995**	**1 476 264**	**0%**

Capital Expenditures

- We spent ca. PLN 46.2m on capital expenditure in Q1 2013
- Our Q1 2013 growth CAPEX accounted for 81% of total organic CAPEX
- Our acquisition CAPEX in 2012 was attributable to Stream Communications, Diana, and Transmitel

CAPEX (PLN '000)	Q3 2012	Q4 2012	Q1 2013
growth	51 000	24 200	37 500
other	10 500	14 100	8 700
acquisitions	45 100	24 500	-
Total CAPEX	**106 600**	**62 800**	**46 200**

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Recent Events and Outlook

Recent Events

We successfully completed the **issue of 7-year bonds** on May 10, 2013

Proceeds from the bond issue **totalling PLN1.0bn** will be used to **refinance our current indebtedness**, including our bank debt and all three tranches of bonds issued previously

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The bonds will be secured and their **amortization will start after four years**

We are also contemplating **additional bank financing** for our M&A activities and organic growth totalling PLN450-500mm that will enable us to take our market share up from 18% presently to c. 25%

Upcoming Events

- → Publication of H1 2013 report: 28 August 2013
- → Publication of Q3 2013 report: 13 November 2013

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