Results for Q2 2013

28 August 2013

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1 Introduction

Important events

- Fulfillment of conditions precedent for the acquisition of Polskie Media and disposal of RSTV
- Further prepayment of the term loan amounting to PLN 100m
- Sale of over 350ths devices for reception of “TV Mobilna” service
- Introduction of new, in-house produced PVR set-top-box
- Changes in Cyfrowy Polsat brand communication – new claim „Twój Multimedialny Dom” („Your Multimedia Home”) in order to maximize the sale of multiplay offers
- Extension of IPLA offer thanks to new content deals, incl: NBC Universal International Television, Monolith Films, Discovery Communications and SPT Networks

- Strong autumn scheduling – 7 new polish programs
- Polsat Romans - new thematic channel targeting female audience

Summary of operational results

- Number of pay-TV subscribers at the end of Q2'13 vs Q2'12 at a stable level of 3,545,582
- In Q2'13 Family Package ARPU increased YoY by 5.2% to PLN 48.3 and Mini Package ARPU amounted to PLN 12.8
- Churn rate of 8.8%
- Number of Internet users almost doubled in Q2'13 (YoY) to 188 ths
- In the first half of 2013, the number of ipla users amounted on monthly average to over 3.8 million

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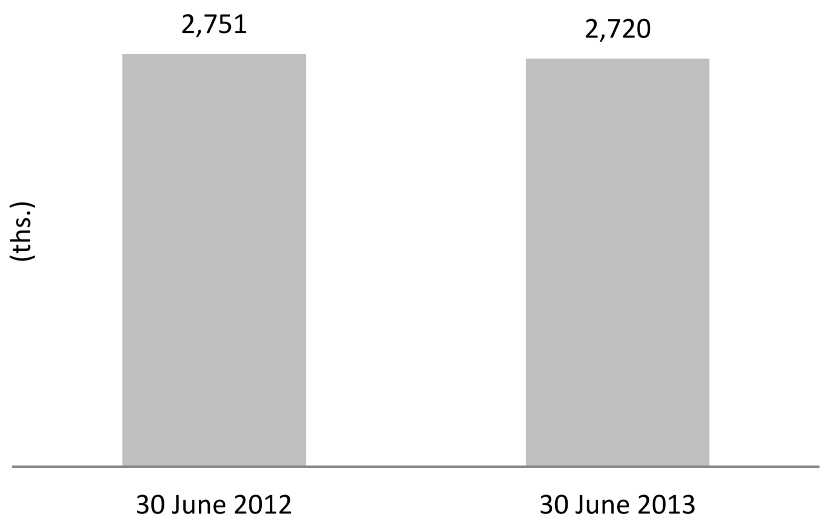
- Audience share in Q2'13 was 19.7%
- TV advertising market share in Q2'13 was 22.7%

2 Operational results

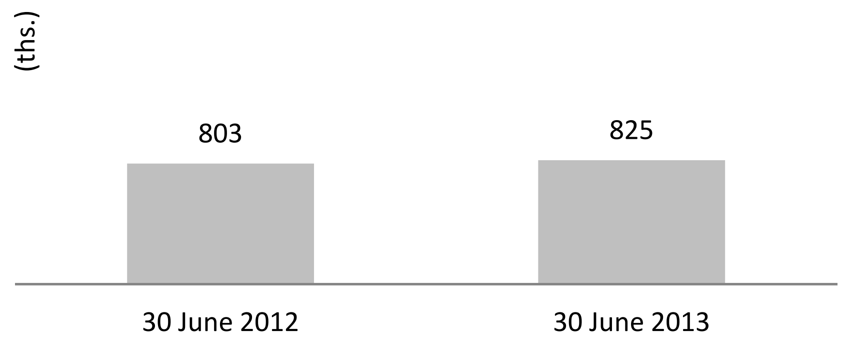
Stable subscriber base

- On annual basis our subscriber base amounted to **3.55 million** as of the end of Q2'13
- Almost 80% of our customers use HD set-top boxes
- Approx. 16% of our customers have Multiroom service

Subscribers — Family Package

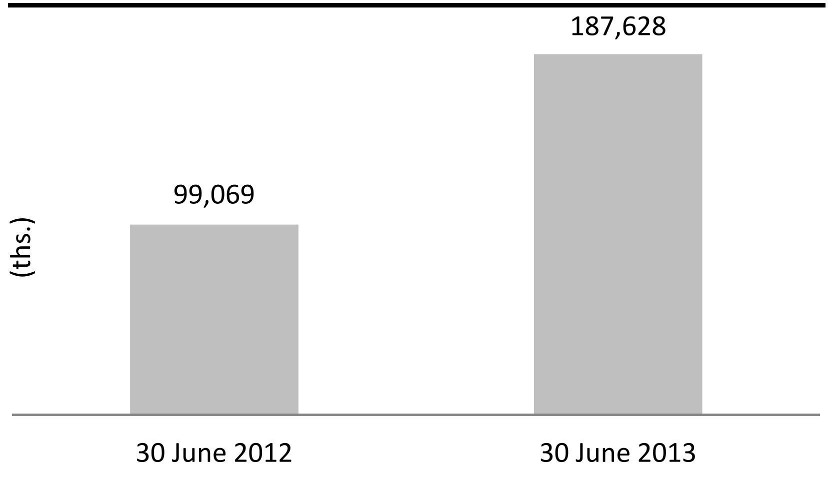


Subscribers — Mini Package (incl. TV Mobilna)

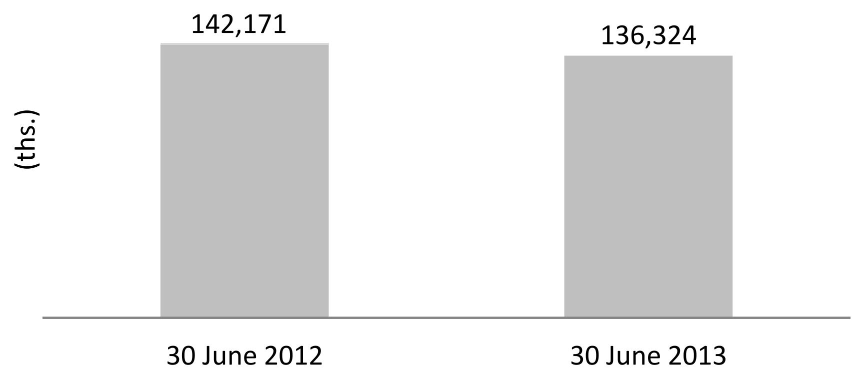


Factors for further growth in value from retail business segment

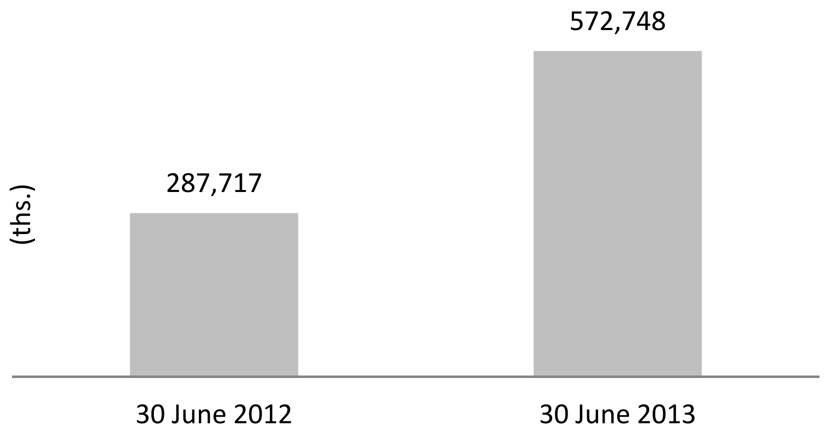
Internet service users



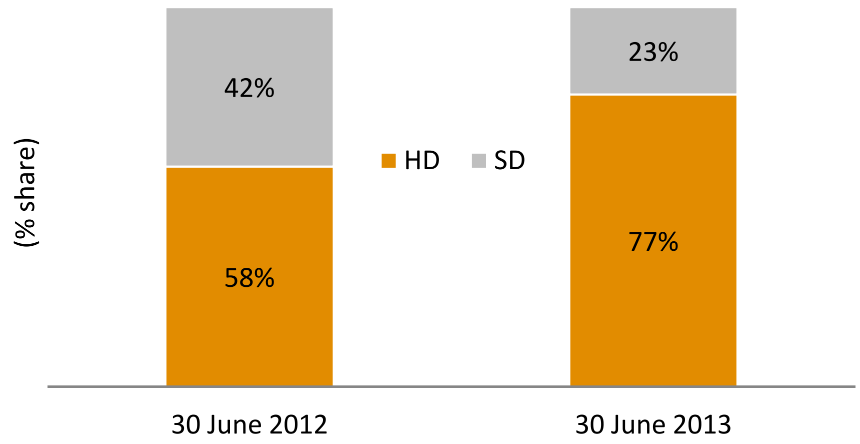
Mobile telephony service users(1)



Multiroom service users



Set-top-box base structure

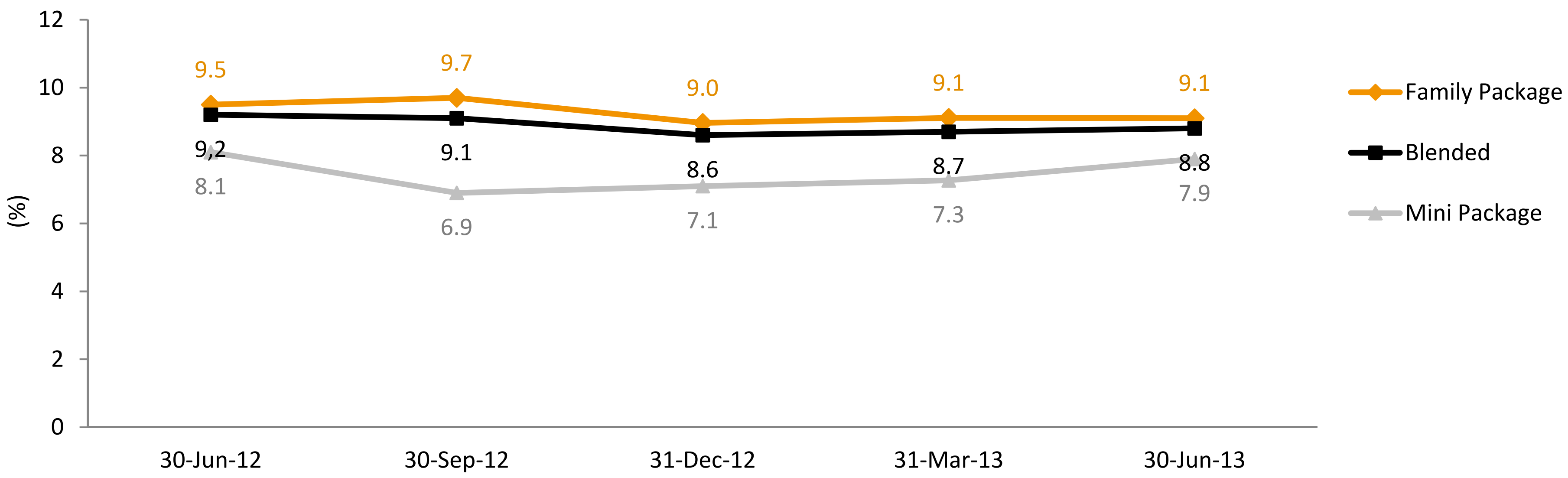


Note: (1) users of our MVNO service and our clients who bought Polkomtel's mobile telephony service within cross promotion

Low churn rate

- Stable churn rate (blended) YoY of 8.8% in Q2'13 as result of:
  - High customer satisfaction
  - Effective subscriber retention programs

Churn (12 months)

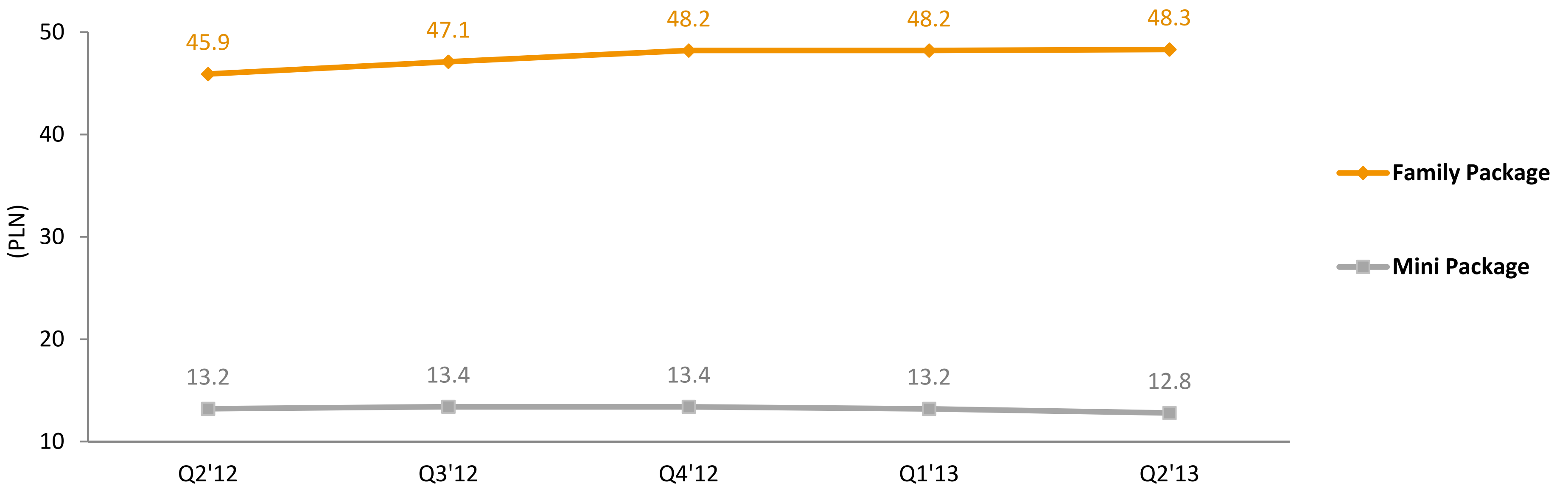


Note: We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same twelve-month period as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service.

Organic growth in ARPU

- Family Package ARPU increased YoY by 5.2% to PLN 48.3 in Q2'13
  - Migration of subscribers to higher programming packages
  - Additional services incl. Multiroom and PPV
- Mini Package ARPU amounted to PLN 12.8 in Q2'13
  - Impact of longer free-of-charge periods for new customers of TV Mobilna service vs DTH

ARPU

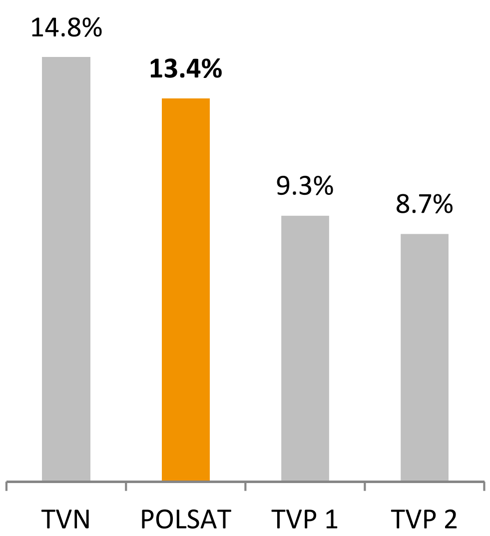


Note: "ARPU" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting period.

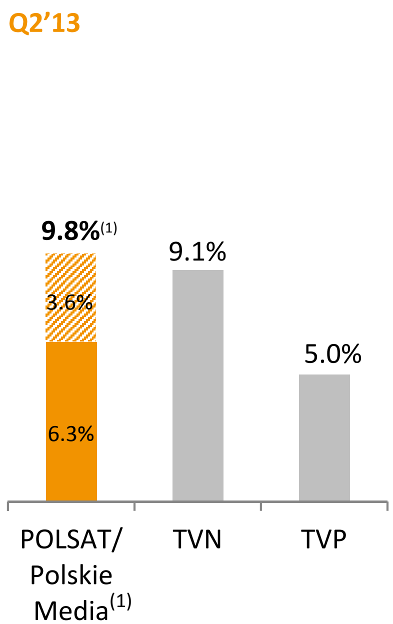
Audience share (Q2'13)

- Audience share of TV Polsat Group in Q2'13 under the influence of digitalization
  - Audience share of the main channel under influence of the extension of DTT reach (switch-off of the analogue transmitters at the end of July 2013) and consequent policy of effective management of scheduling in order to maximize the EBITDA margin – a high level of 34.0% in Q2'13

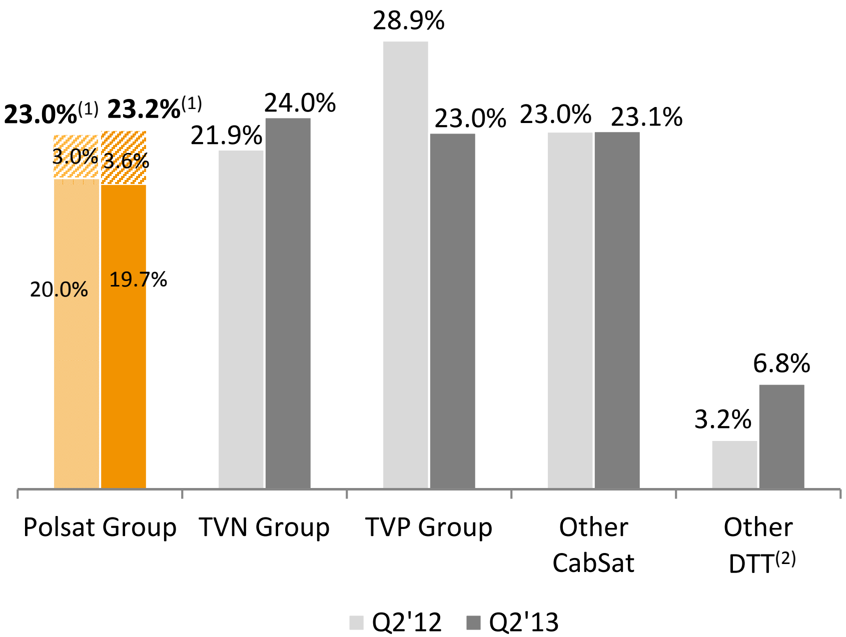
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



Source: NAM, All 16-49, all day, SHR%; internal analysis

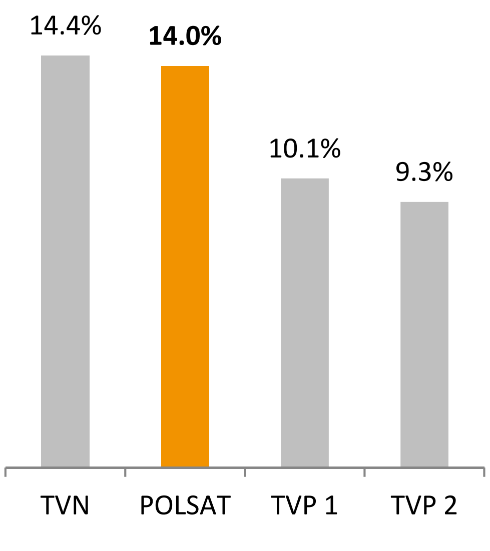
Note (1) Includes audience shares of TV4 and TV6 channels amounting to 3.0% and 3.6% respectively in Q2'12 and Q2'13

(2) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2; YoY growth of 113%

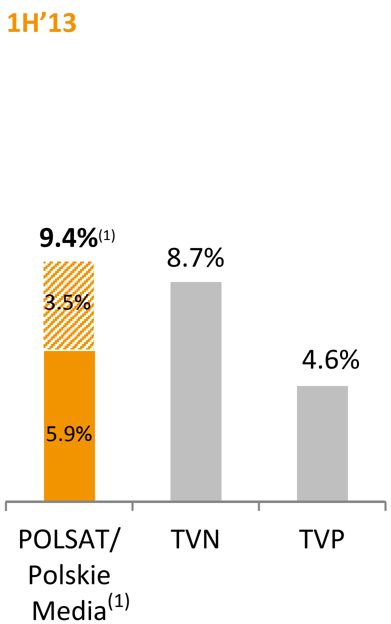
Audience share (1H'13)

- Audience share of TV Polsat Group in 1H'13 in line with our strategy
  - Audience share of the main channel under the influence of market fragmentation caused by the growth in the DTT reach, compensated by the growth in audience share of thematic channels

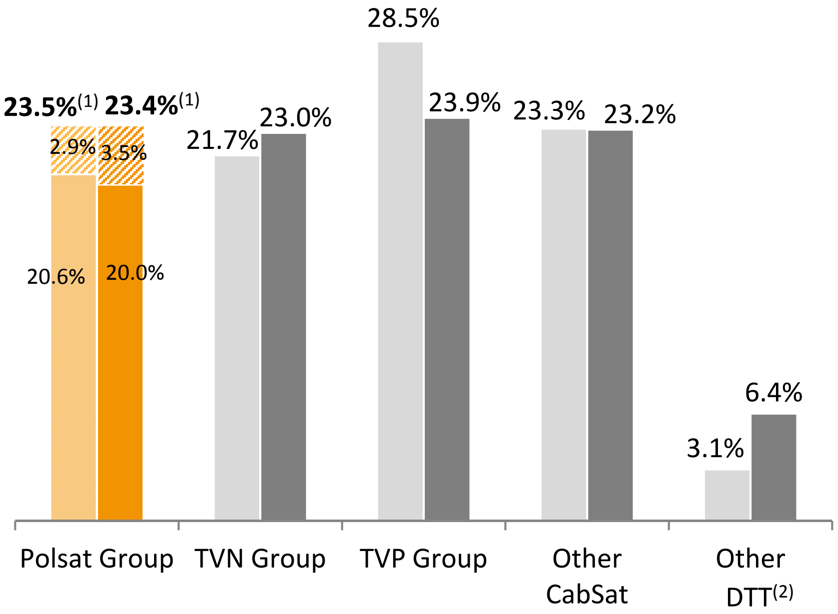
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



Source: NAM, All 16-49, all day, SHR%; internal analysis

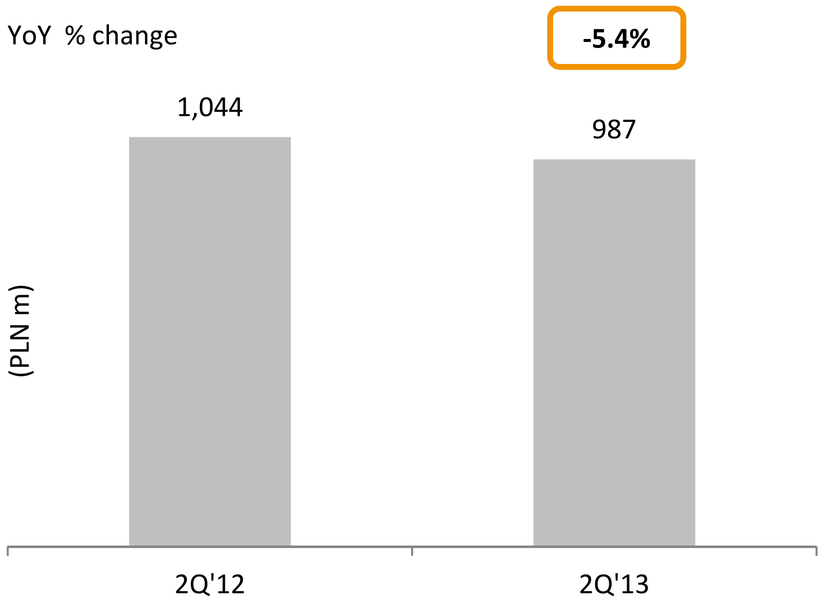
Note (1) Includes audience shares of TV4 and TV6 channels amounting to 2.9% and 3.5% respectively in 1H'12 and 1H'13

(2) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2; YoY growth of 108%

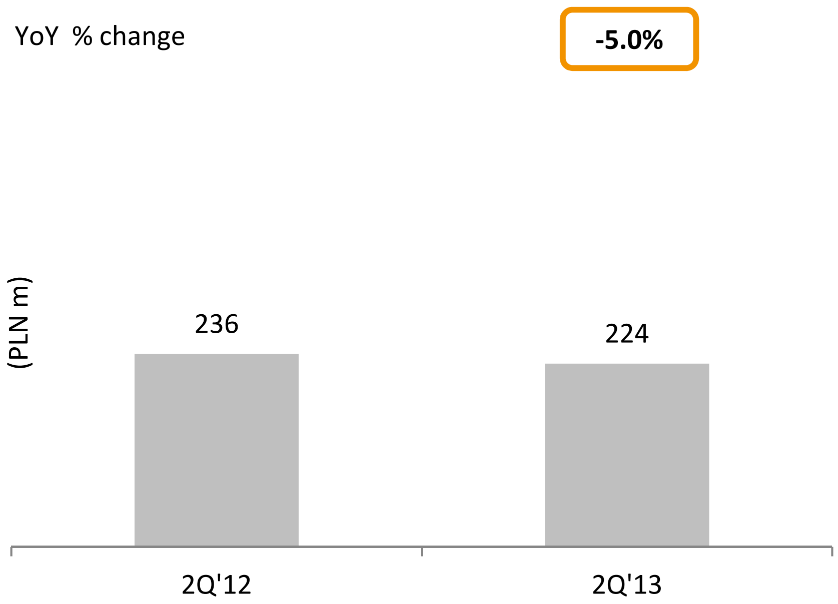
Ad market position (Q2'13)

- TV advertising and sponsoring revenue of TV Polsat Group in line with our strategy
  - The decline in advertising expenditures was consistent with the market, as a result the Group maintained its market share in Q2'13 at the level of 22.7%

Expenditures on TV advertising and sponsoring



Revenue from advertising and sponsoring of TV Polsat Group[1]

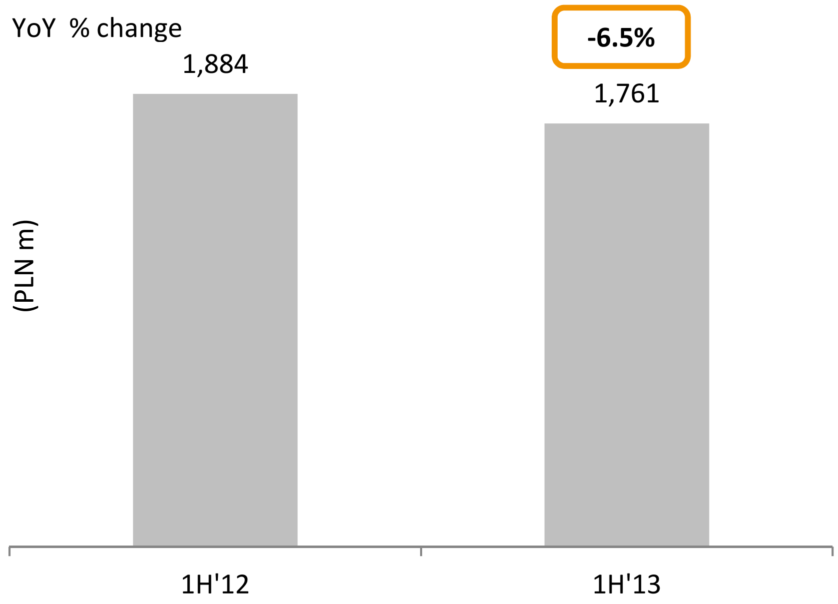


Source: Starlink, airtime and sponsoring; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsoring of TV Polsat Group according to Starlink's definition

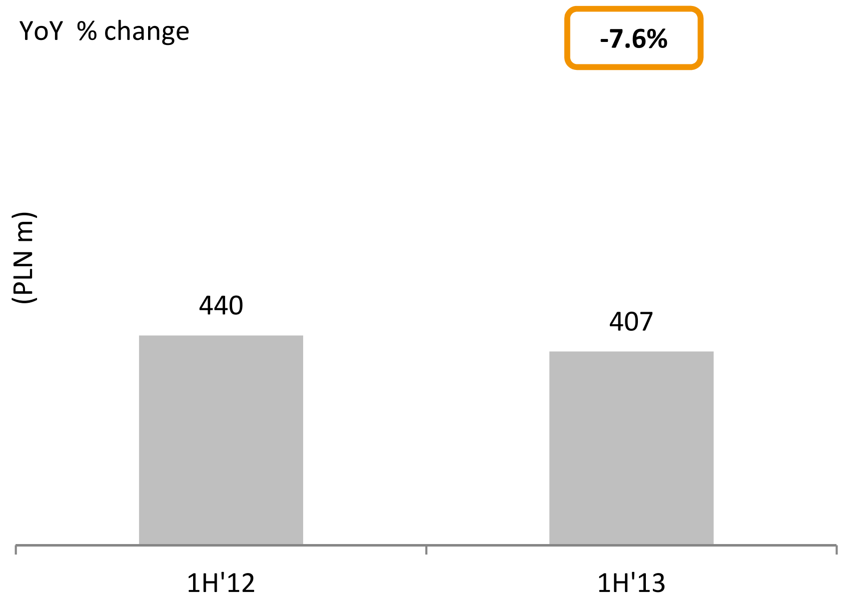
Ad market position (1H'13)

- Stable TV ad market share amounting to 23.1%, despite the fragmentation of the market and the effect of high base from Q1'12

Expenditures on TV advertising and sponsoring



Revenue from advertising and sponsoring of TV Polsat Group[1]



Source: Starlink, airtime and sponsoring; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsoring of TV Polsat Group according to Starlink's definition

Growing online video segment

- In the first half of 2013, the number of IPLA users amounted on monthly average to over 3.8 million, including:
  - Over 2.5 million users of IPLA application and website
  - Ca. 1.3 million users of application for mobile devices, Smart TVs, set-top-boxes and game consoles
- In the first half of 2013 IPLA recorded on monthly average nearly 28 million streams
  - Ca. 50% streams generated by mobile and Smart TV's segments
- Profitable on EBITDA level since September 2012
- Sale split: 80% video advertisement, 20% packages
- Monthly results correlated with TV schedule – additional field of content exploration
- IPLA packages significantly strengthened our premium DTH offer
- Growing number of VOD transactions

Further growth in online video market depends to a large extent on proactive approach of the Polish state aimed at reducing the theft of intellectual property in the Internet

Source: ipla.tv/ PC apps- Megapanel PBI/Gemius, RU – Real Users; mobile apps users, Smart TV, set-top-boxes, game consoles; played content – own data

3 Financial review

Financial results of the Group (Q2'13)

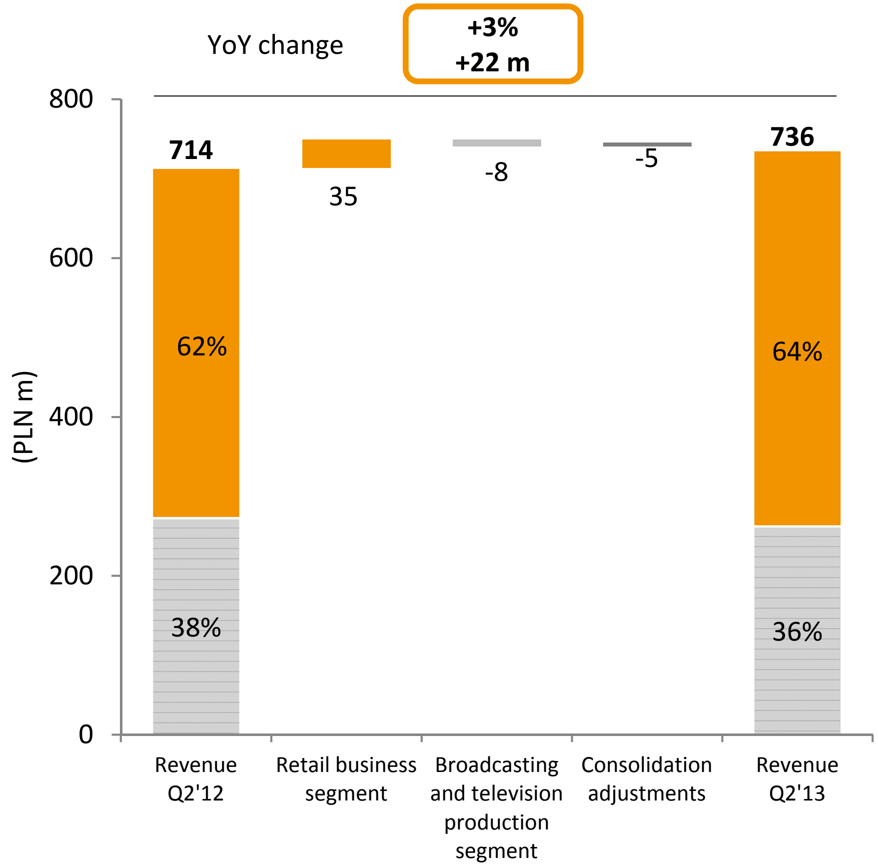
in PLN m	Q2 2013		YoY change
Revenue	740	▲	*3%*
Costs[1]	483	▲	*8%*
EBITDA[2]	257	▼	*(5%)*
EBITDA margin	35.0%	▼	*(2.8pp)*
Net profit	81	▼	*(19%)*

- Increase in revenue due to the organic growth of the retail business segment offset by a decrease in revenues of the broadcasting and television production segment
- The increase in costs generated by projects launched in the retail segment
- High EBITDA margin in a relatively difficult market conditions
- Negative effect of the valuation of Senior Notes partially offset by lower debt service costs (i.a. lower interest cost resulting from the prepayment of term facility loan in Q3'12)

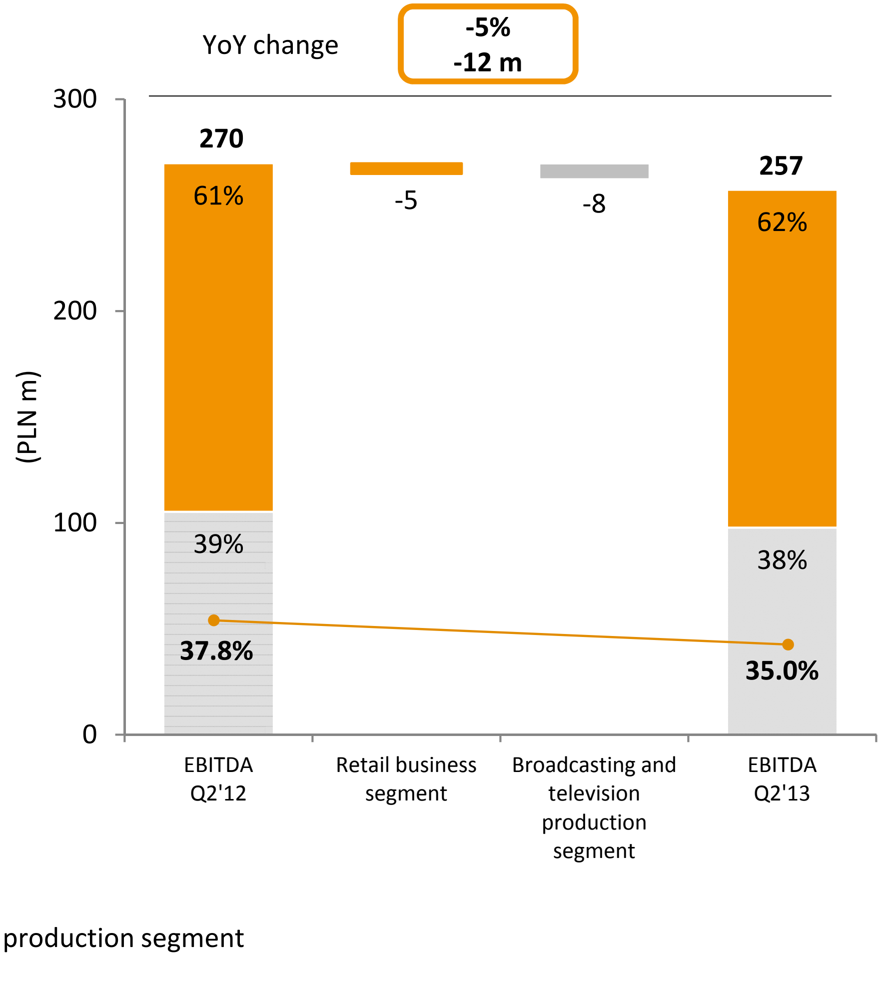
Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Costs do not include depreciation, amortization and impairment

Revenue and EBITDA – change drivers (Q2'13)

Revenue[1]



EBITDA



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Revenue does not include „Other operating income"

Results of the Retail business segment (Q2'13) [1]

in PLN m	Q2 2013	*YoY change*
Revenue	482	▲ *8%*
Costs[2]	323	▲ *15%*
EBITDA	160	▼ *(3%)*
EBITDA margin	33.2%	▼ *(3.7pp)*
Net profit	284	▲ *>100%*

- Record high revenues from retail revenue thanks to the steadily increasing ARPU and higher revenue from telecommunication services
- The cost growth rate of 9% excluding implementation of the strategic project TV Mobilna[3]
- The increase in the net profit mainly due to the postponed declaration of dividend from TV Polsat (April '13), the lower debt service costs partially offset by the higher foreign exchange losses on the valuation of Senior Notes

Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Trade Marks, Cyfrowy Polsat Finance, INFO-TV-FM (from 30 January 2012), the companies running ipla service (from 2 April2012)
(2) Costs do not include depreciation, amortization and impairment
(3) A large part of the cost of TV Mobilna project relates to the sale of reception equipment that was continued in such a significant scale only until the end of July 2013

Results of the Broadcasting and television production segment (Q2'13)(1)

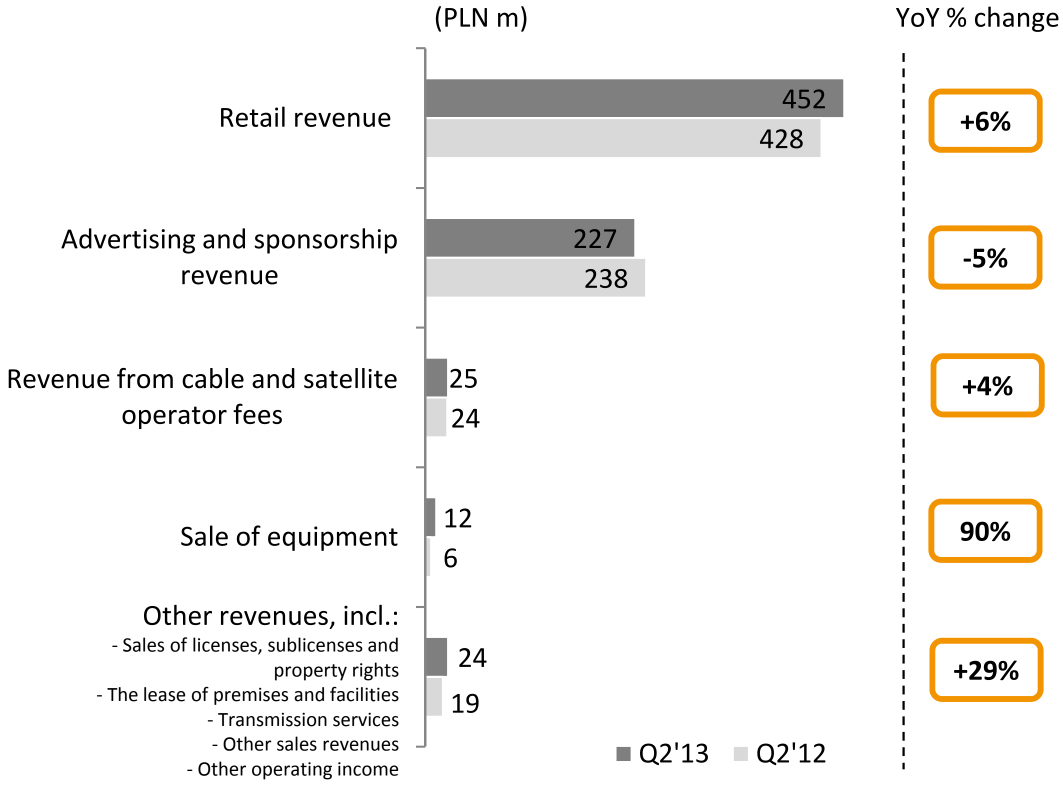
in PLN m	Q2 2013	YoY change
Revenue	290	↓ *(2%)*
Costs(2)	192	↓ *(1%)*
EBITDA	98	↓ *(7%)*
EBITDA margin	34.0%	↓ *(1.6pp)*
Net profit	76	↑ *6%*

- Lower revenues from advertising and sponsoring due to decline in TV advertising market
- Stable costs as a results of a decline in the cost of OZZPA (collective copyright management organizations) offset by higher amortization of purchased film licenses
- Positive impact of foreign exchange differences on the net profit compared to the prior year

Source: Telewizja Polsat Sp. z o.o. and internal analysis
Note: (1) Segment includes Telewizja Polsat Sp. z o.o. and all its subsidiaries
(2) Costs do not include depreciation, amortization and impairment

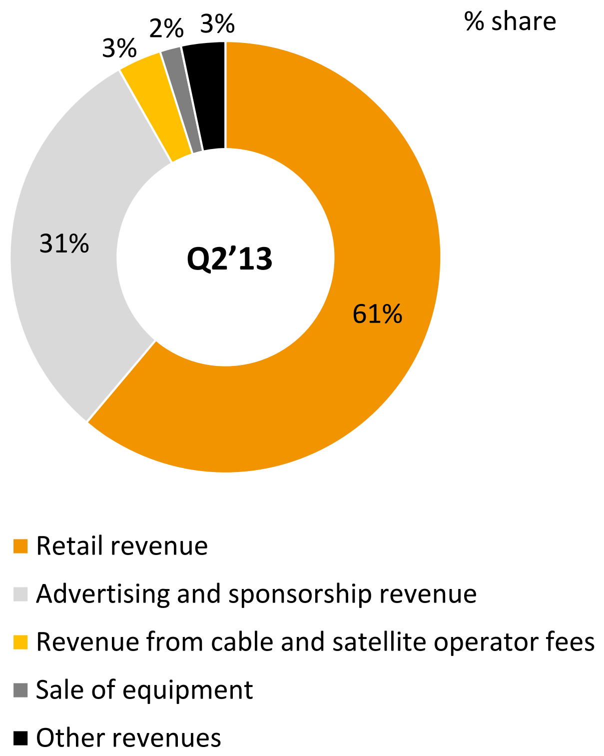
Revenue structure (Q2’13)

Revenue in Q2’13 vs. Q2’12



Total
Q2’13 PLN 740 m
Q2’12 PLN 715 m
+3%

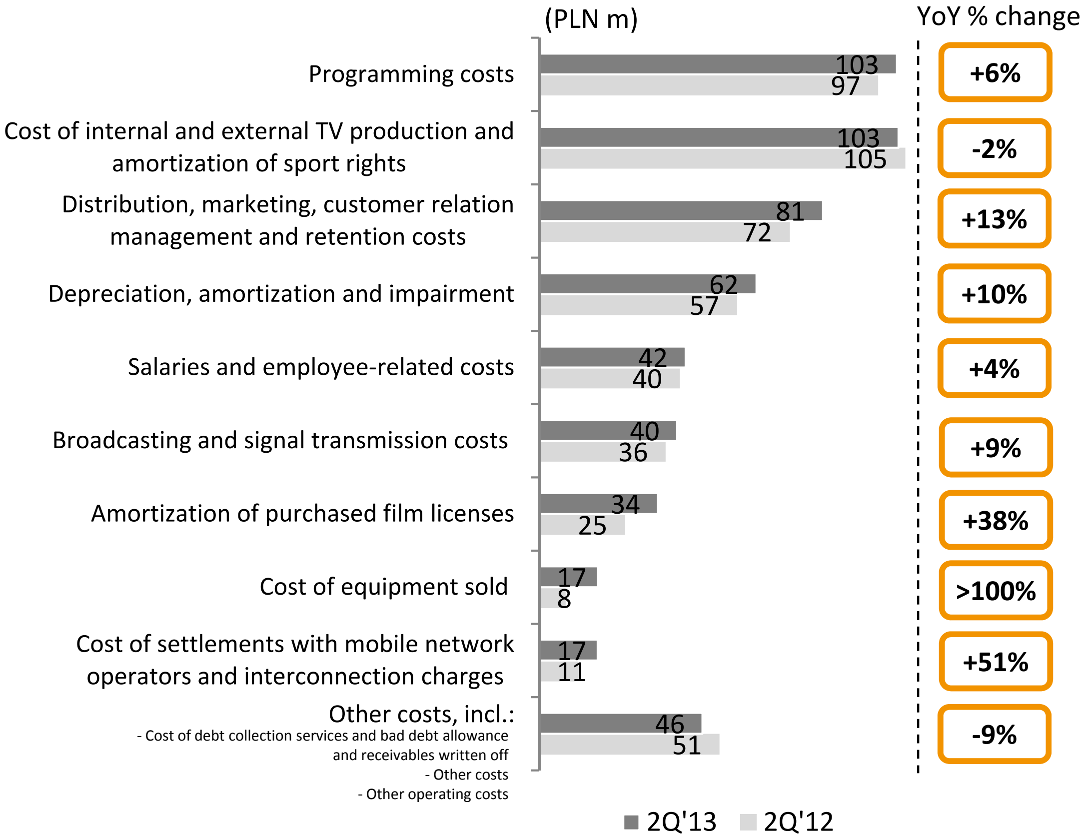
Revenue breakdown



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis

Cost structure (Q2’13)

Operating costs in Q2’13 vs. Q2’12



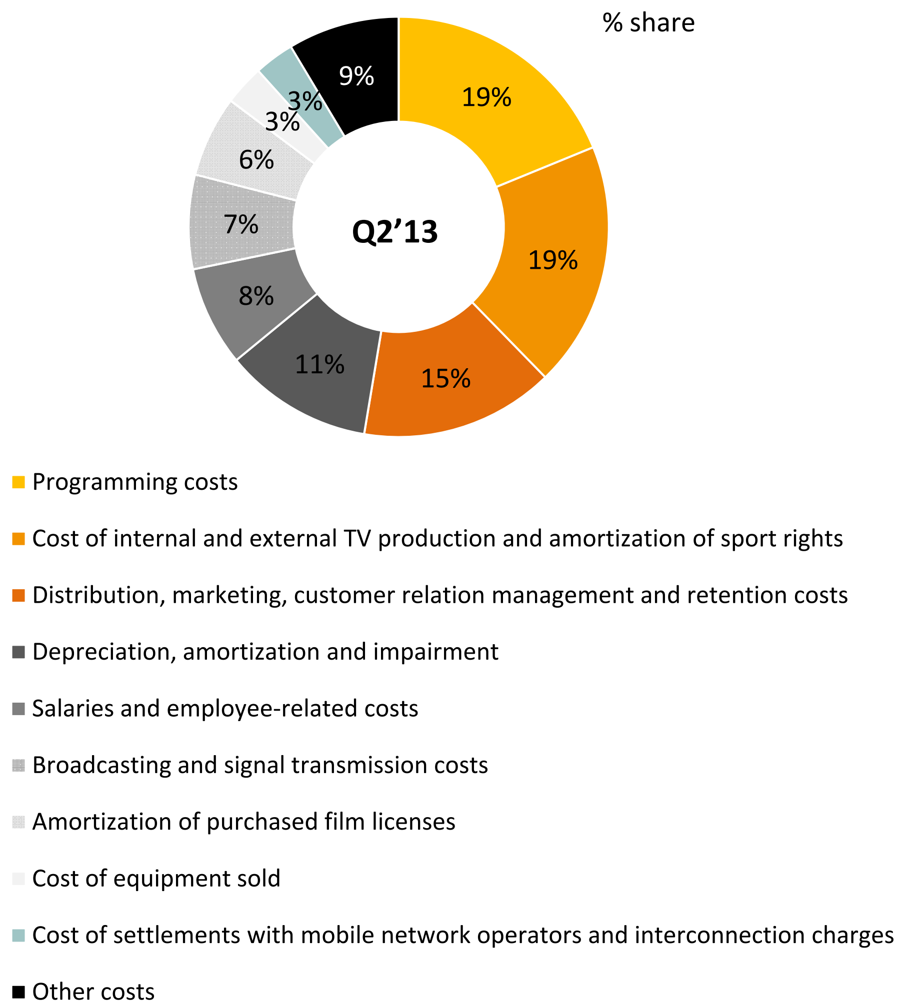
Total

Q2’13 PLN 545 m

Q2’12 PLN 502 m

9%

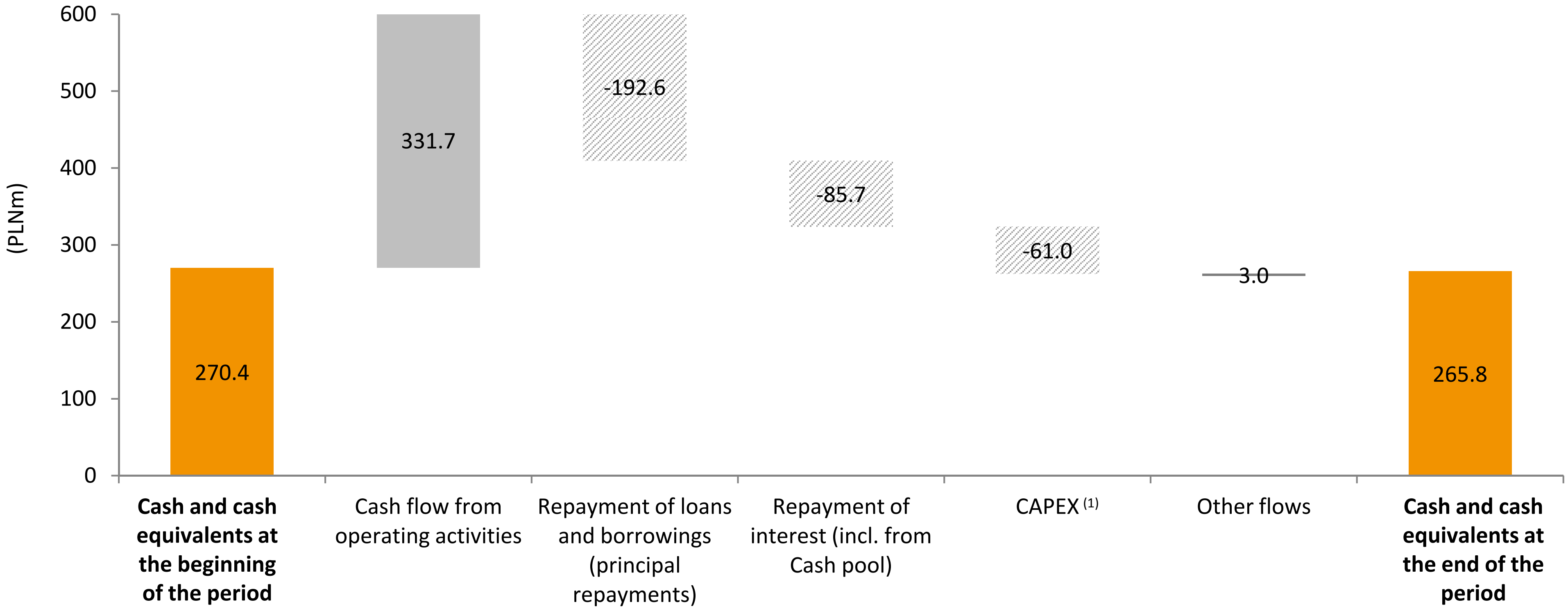
Operating costs breakdown



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis

Cash flow

Net cash flow, cash position and debt – 1H'13

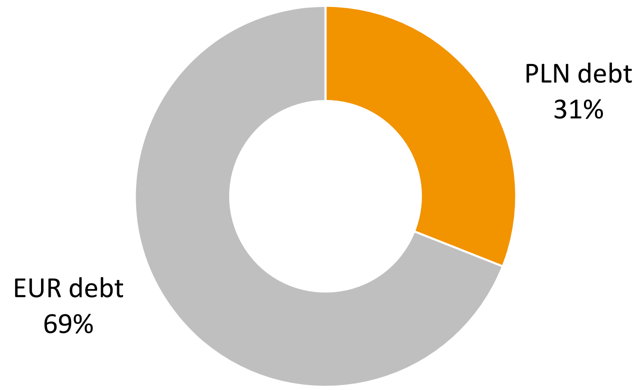


Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Excluding expenditures on set-top-boxes and modems leased to subscribers

Financial indebtedness

in PLN m	June 30, 2013	Maturity
Senior facility [1]	686	2015
Senior Notes [1]	1,499	2018
Finance lease	1	2015
Cash and equivalents	266	-
Net Debt	**1,920**	
12M EBITDA	1,008	
Net Debt / 12M EBITDA	**1.90**	

Currency structure of debt



Senior Notes Rating

Standard & Poor's	BB, positive outlook
Moody's	Ba2, stable outlook

Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Carrying amount value of debt outstanding

4 Appendix

Financial results of the Group (1H'13)

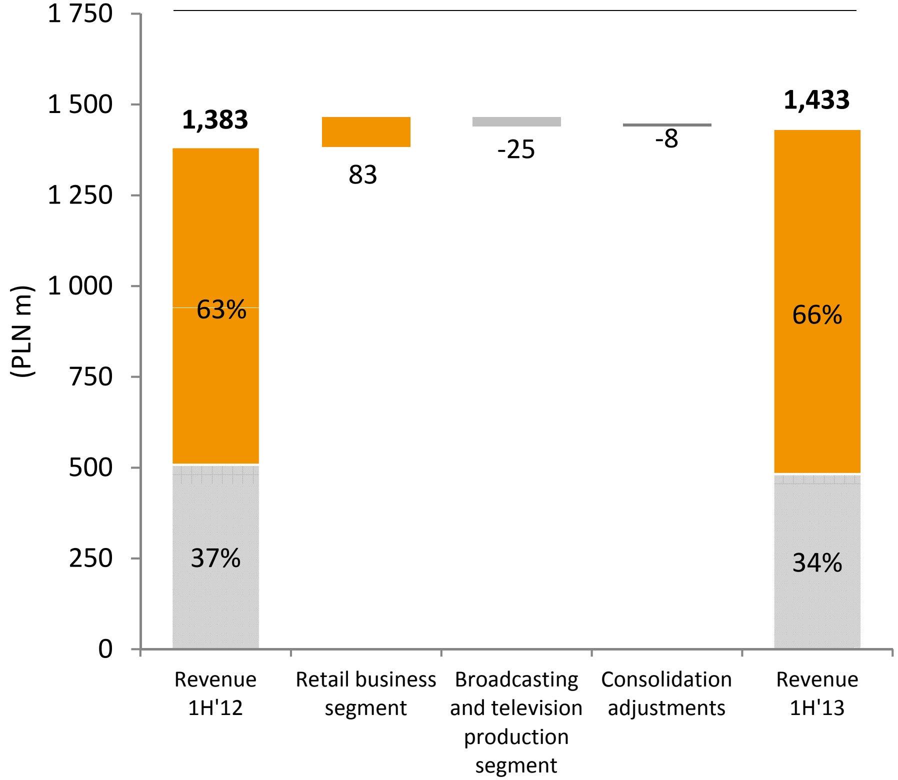
in PLN m	1H 2013	YoY change
Revenue	1.439	▲ *4%*
Costs(1)	937	▲ *9%*
EBITDA(2)	503	▼ *(5%)*
EBITDA margin	35.1%	▼ *(3.0pp)*
Net profit	176	▼ *(42%)*

- Increase in revenue mainly due to the organic growth of the retail business segment
- The cost growth rate of 4% excluding implementation of the strategic project TV Mobilna**(2)**
- High EBITDA margin despite a weak advertising market
- Negative effect of the valuation of Senior Notes partially offset by lower debt service costs (i.a. lower interest cost resulting from the prepayment of term facility loan in Q3'12)

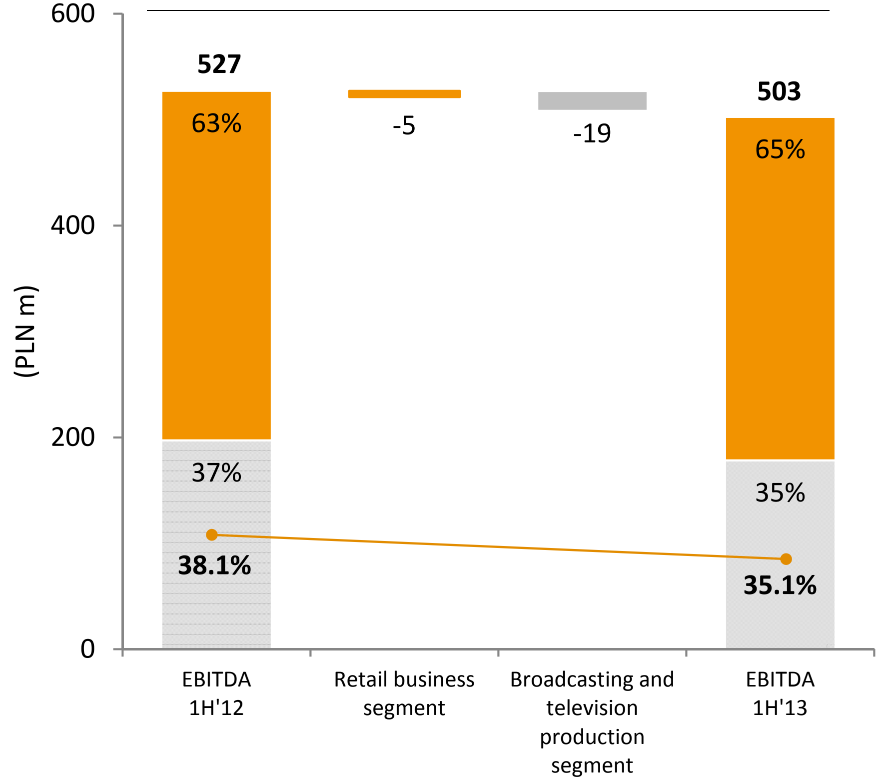
Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Costs do not include depreciation, amortization and impairment
(2) A large part of the cost of TV Mobilna project relates to the sale of reception equipment that was continued in such a significant scale only until the end of July 2013

Revenue and EBITDA – change drivers (1H'13)

Revenue[1]



EBITDA



Retail business segment
Broadcasting and television production segment
EBITDA margin

Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Revenue does not include „Other operating income"

Results of the Retail business segment (1H'13) [1]

in PLN m	1H 2013	YoY change
Revenue	967	▲ *10%*
Costs[2]	642	▲ *17%*
EBITDA	324	▼ *(2%)*
EBITDA margin	33.7%	▼ *(3.8pp)*
Net profit	314	▼ *(31%)*

- Record high revenues from retail revenue thanks to the steadily increasing ARPU and higher revenue from telecommunication services
- The cost growth rate of 9% excluding implementation of the strategic project TV Mobilna[3]
- The decrease in the net profit mainly due to the foreign exchange losses on the valuation of Senior Notes partially offset by lower debt service costs

Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis
Note: (1) Segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Trade Marks, Cyfrowy Polsat Finance, INFO-TV-FM (from 30 January 2012), the companies running ipla service (from 2 April2012)
(2) Costs do not include depreciation, amortization and impairment
(3) A large part of the cost of TV Mobilna project relates to the sale of reception equipment that was continued in such a significant scale only until the end of July 2013

Results of the Broadcasting and television production segment (1H'13)(1)

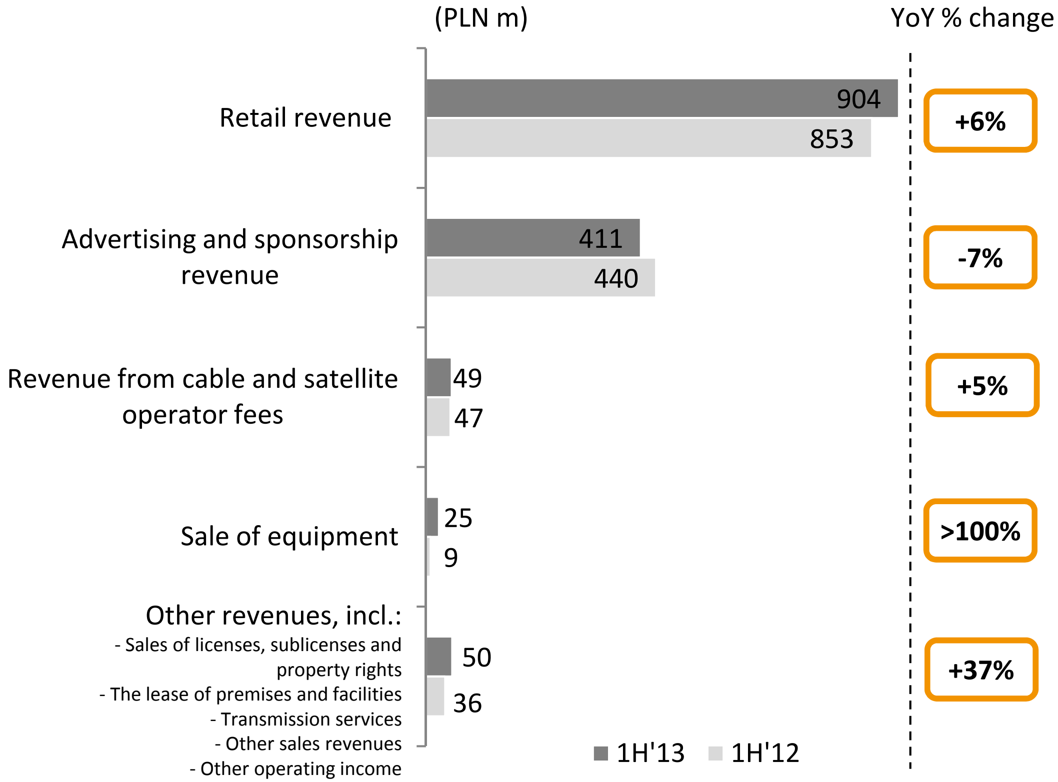
in PLN m	1H 2013	YoY change
Revenue	535	(4%)
Costs(2)	357	(1%)
EBITDA	178	(10%)
EBITDA margin	33.5%	(1.8pp)
Net profit	137	(6%)

- Lower revenues from advertising and sponsoring due to decline in TV advertising market
- The decrease in cost as a result of lower TV production costs and a decline in the cost of OZZPA (collective copyright management organizations)
- Less significant impact of foreign exchange losses on the net profit compared to the prior year

Source: Telewizja Polsat Sp. z o.o. and internal analysis
Note: (1) Segment includes Telewizja Polsat Sp. z o.o. and all its subsidiaries
(2) Costs do not include depreciation, amortization and impairment

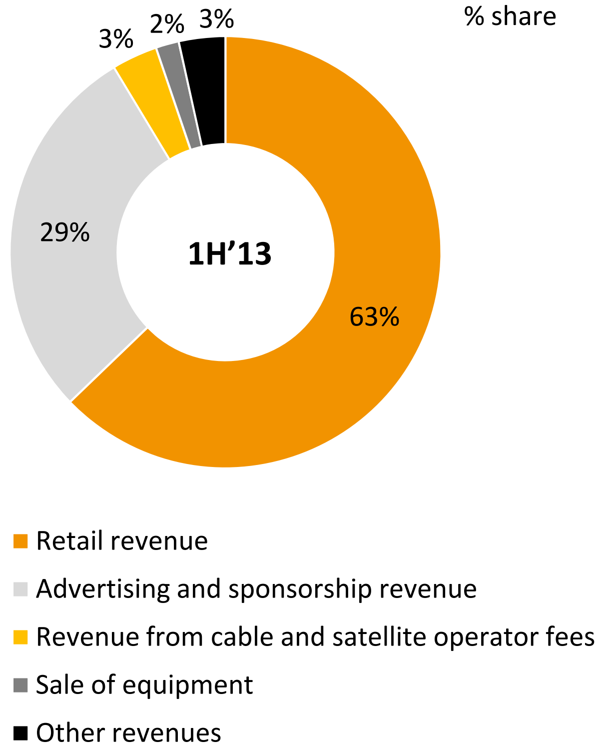
Revenue structure (1H’13)

Revenue in 1H’13 vs. 1H’12



Total
1H’13 PLN 1,439 m
1H’12 PLN 1,385 m
+4%

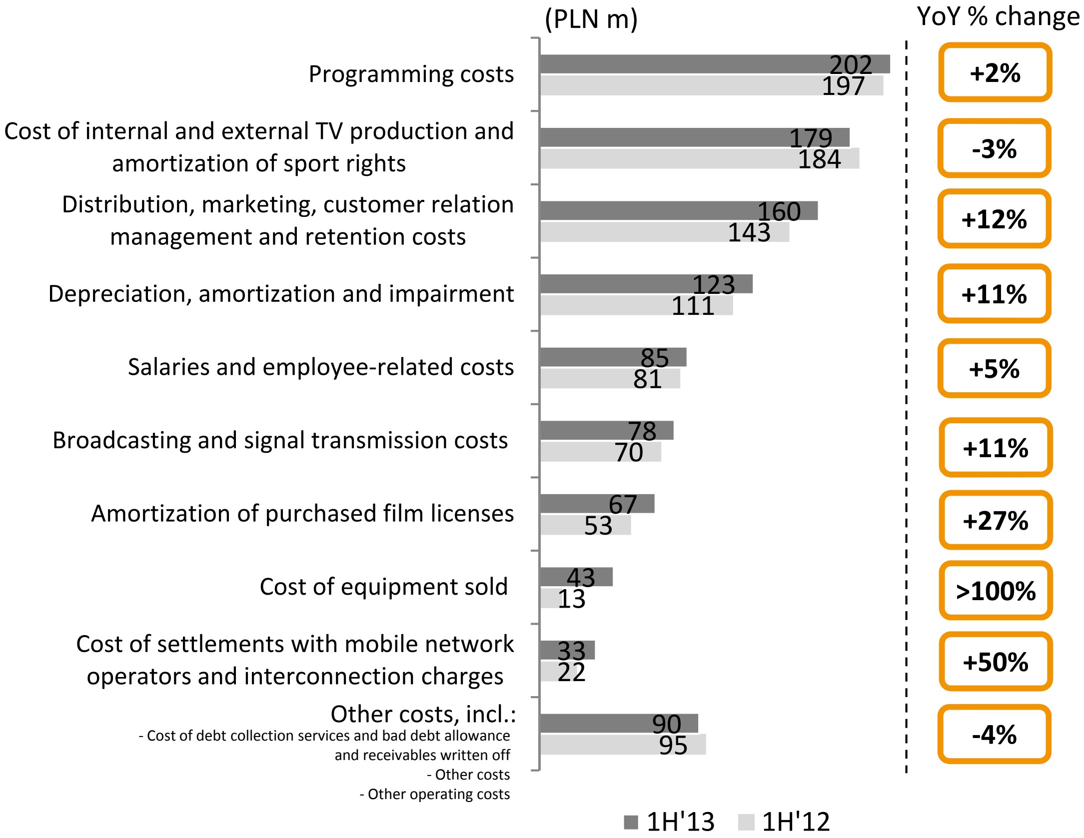
Revenue breakdown



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis

Cost structure (1H’13)

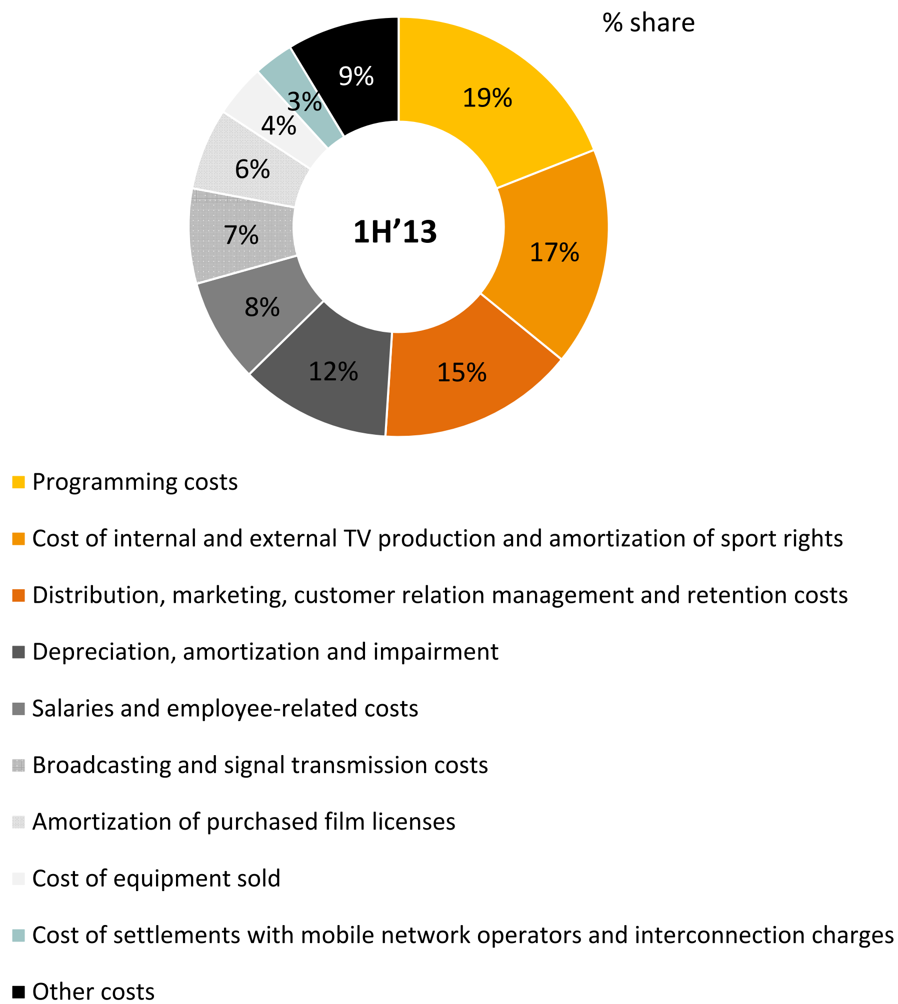
Operating costs in 1H’13 vs. 1H’12



Total

1H’13 PLN 1,060 m
1H’12 PLN 969 m
9%

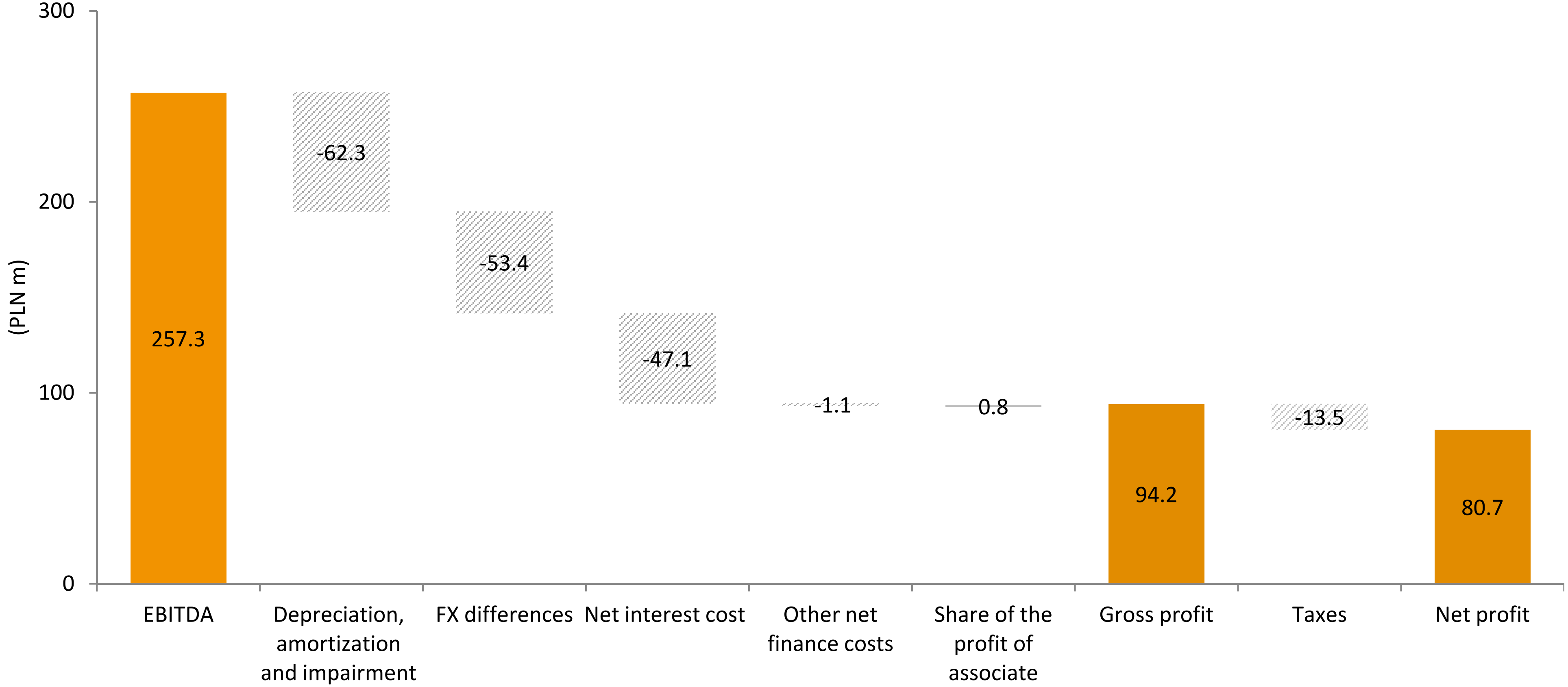
Operating costs breakdown



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis

Items below EBITDA (Q2’13)

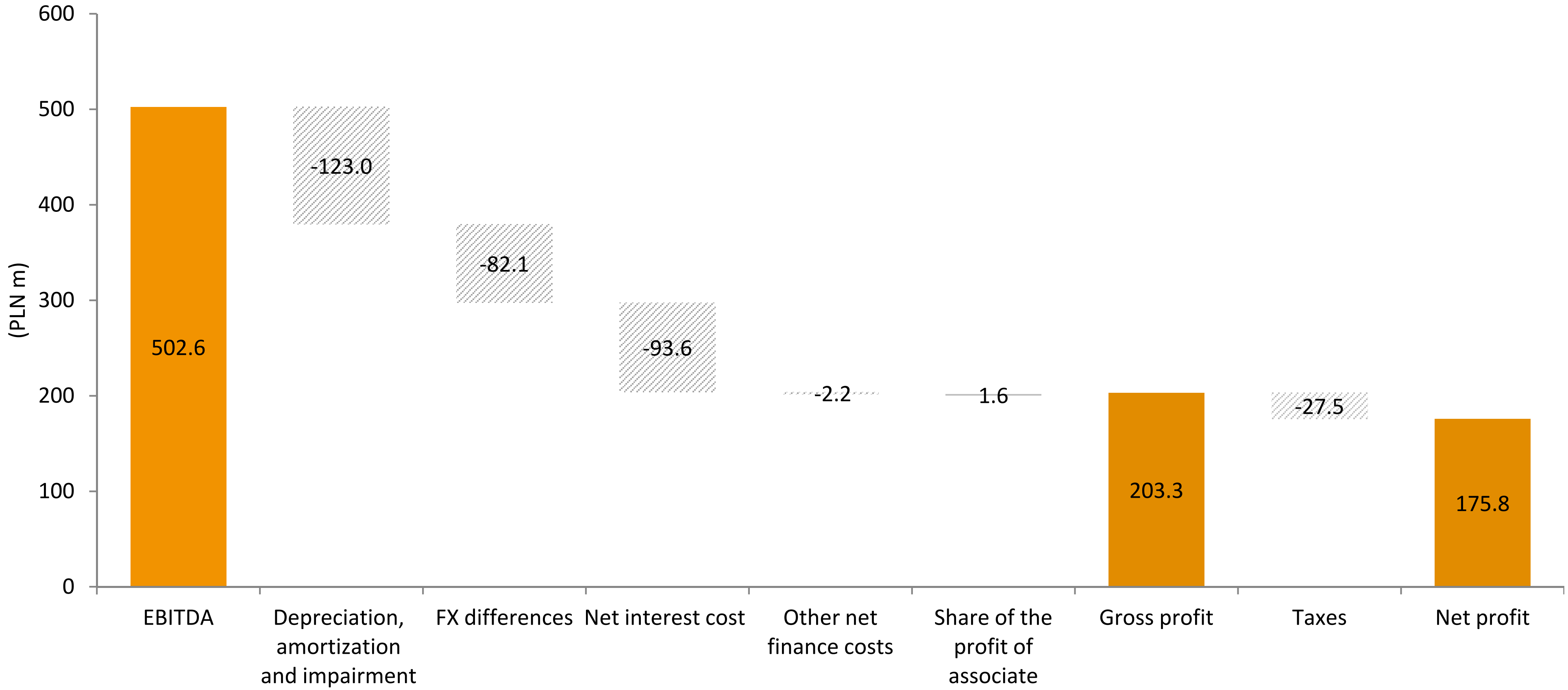
Depreciation, amortization, finance income and costs and taxes – Q2’13



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis

Items below EBITDA (1H’13)

Depreciation, amortization, finance income and costs and taxes – 1H’13



Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2013 and internal analysis

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