Results for Q1'13

May 15, 2013

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1 Introduction

Important events

- Management Board recommended to the GM to distribute the profit for 2012 in the amount of PLN 530m to the reserve capital
  - the decision was based on one of the strategic objectives of the Company, which is lowering the Company's indebtedness, arisen due to the acquisition of Telewizja Polsat by the Company, in the shortest possible time
- Success of Polsat Boxing Night gala - 120 thousand viewers in the PPV service of Cyfrowy Polsat and in ipla internet television

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- Signing conditional agreement for the acquisition of 100% of shares in Polskie Media S.A., a broadcaster of TV4 and TV6 channels, for the total amount of PLN 99m comprising price for shares and adjustments related to enterprise value
- Signing conditional agreement to sell RS TV S.A. to Emitel Sp. z o.o. for the amount of PLN 45.5m

Summary of operational results

- Number of pay-TV subscribers at the end of Q1’13 vs Q1’12 at a stable level of 3,555,806
- In Q1 Family Package ARPU increased YoY by 6.2% to PLN 48.2 and Mini Package ARPU amounted to PLN 13.2
- Churn rate of 8.7%
- Number of Internet users almost doubled (YoY) to 173 ths
- ipla with 3.2 million real users of the Internet application and the website, getting the first position among VOD platforms in March 2013
  - in addition, in this period ipla recorded 1.5 million users of application on mobile devices, Smart TVs, pay-TV set-top-boxes and games consoles

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- Audience share in Q1’13 was 20.2%
- TV advertising market share in Q1’13 was 23.6%

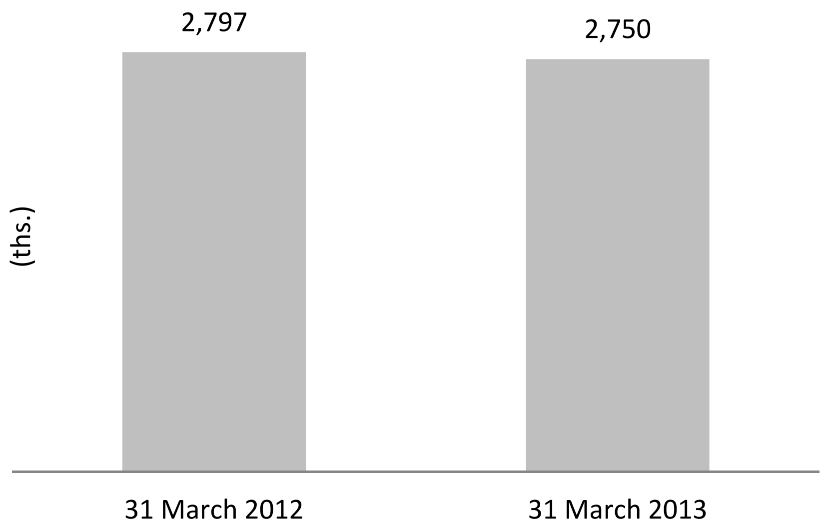
Source: Megapanel PBI/Gemius, Real Users (ipla Group - combined users of application and website ipla.tv); users of application on mobile devices, Smart TVs, pay-TV set-top-boxes and games consoles - internal analysis; March 2013

2 Operational results

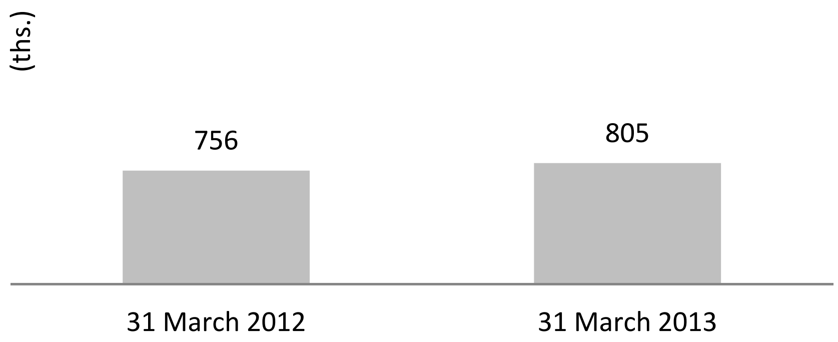
Stable subscriber base

- On annual basis our subscriber base amounted to **3.56 million** as of the end of Q1'13
- Over 70% of our customers use HD set-top boxes
- Approx. 14% of our customers have Multiroom service

Subscribers — Family Package

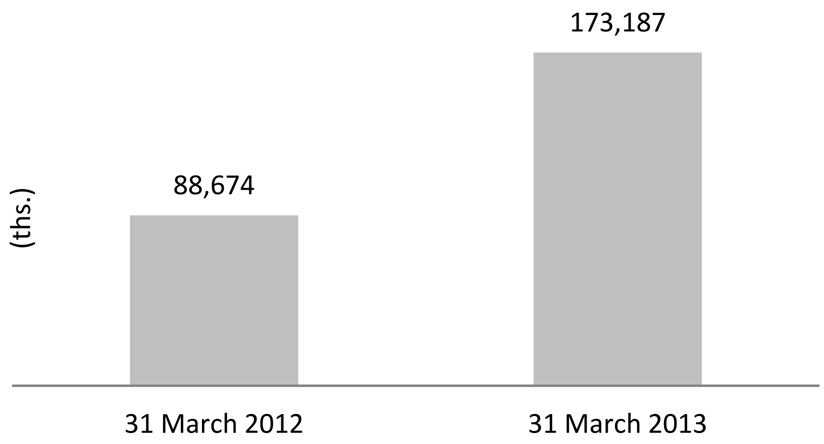


Subscribers — Mini Package (incl. TV Mobilna)

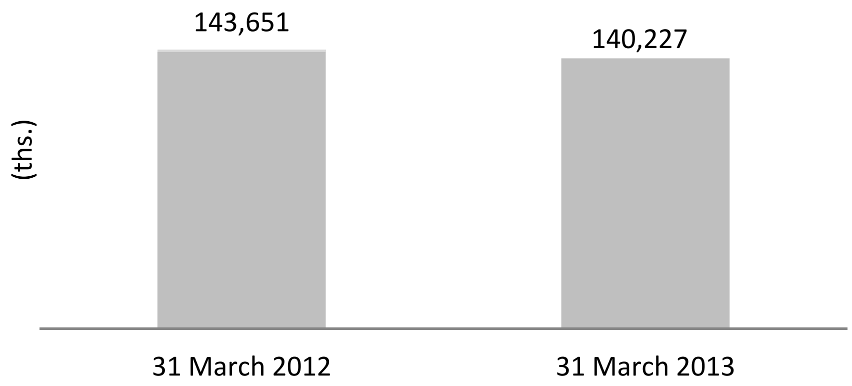


Factors for further growth in value from retail business segment

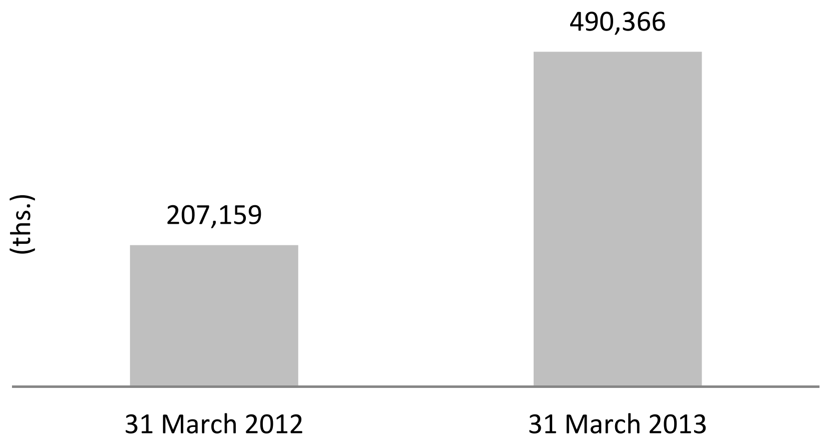
Internet service users



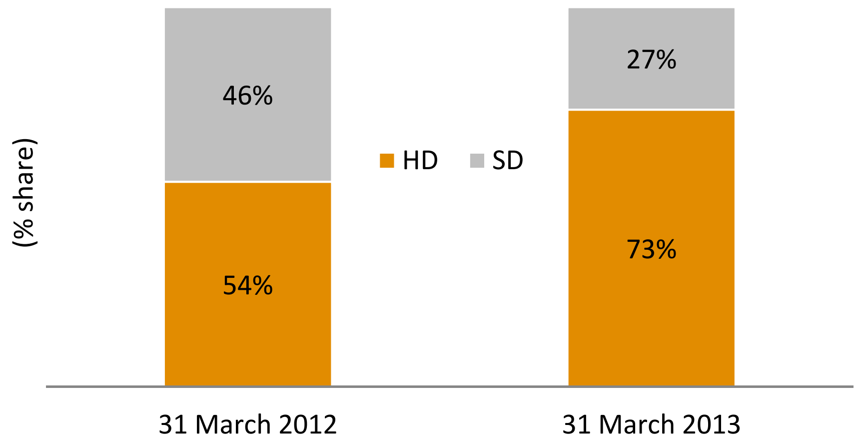
Mobile telephony service users(1)



Multiroom service users



Set-top-box base structure

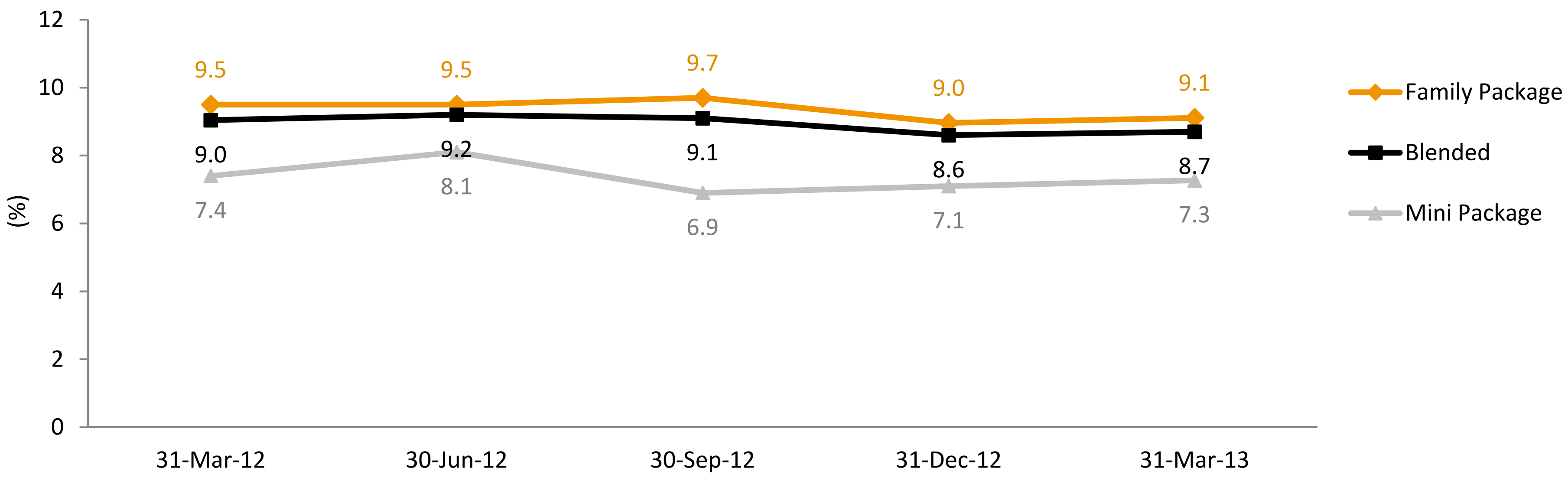


Note: (1) users of our MVNO service and our clients who bought Polkomtel's mobile telephony service within cross promotion

Low churn rate

- Stable churn rate (blended) of 8.7% in Q1’13 as result of:
  - High customer satisfaction
  - Effective subscriber retention programs

Churn (12 months)

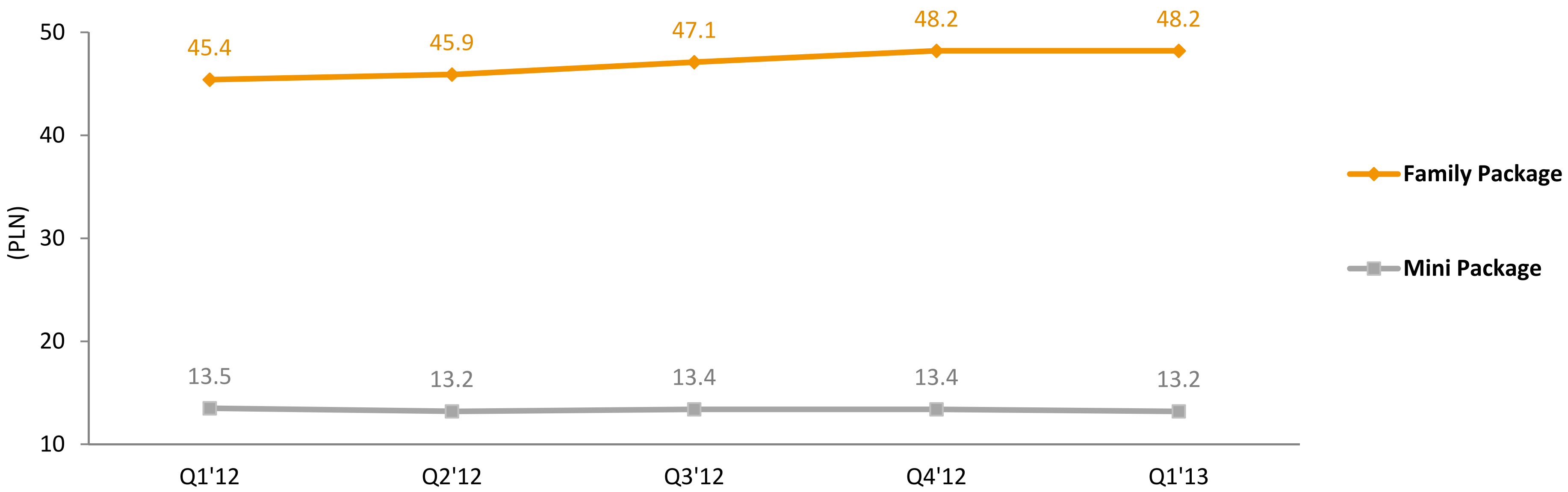


Note: We define “churn rate” as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end 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 6.2% to PLN 48.2 in Q1’13
  - Migration of subscribers to higher programming packages
  - Additional services incl. Multiroom and PPV
- Mini Package ARPU amounted to PLN 13.2 in Q1’13
  - Impact of longer free-of-charge periods for new customers of TV Mobilna service vs DTH

ARPU

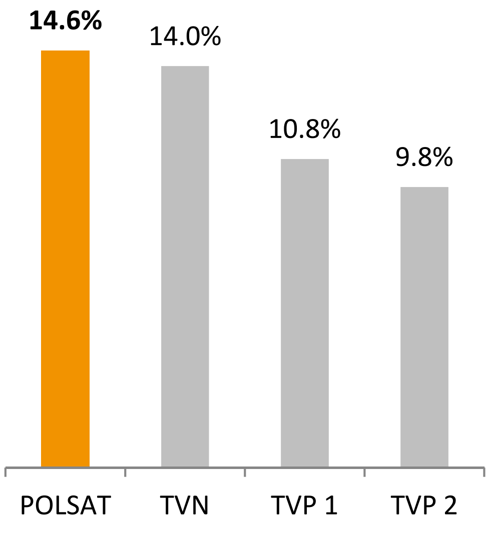


Note: “ARPU” relates to average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting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

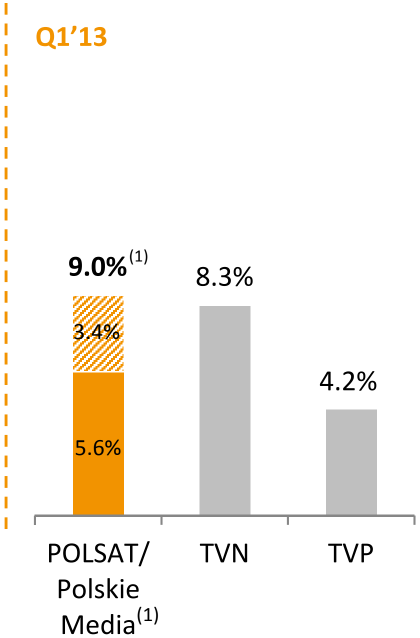
Audience share

- Audience share of TV Polsat Group in Q1’13 in line with our strategy
  - Audience share of the main channel under influence of progressive market fragmentation caused by the extension of DTT reach and consequent policy of effective management of scheduling in order to maximize the EBITDA margin – a high level of 32.9% in Q1’13

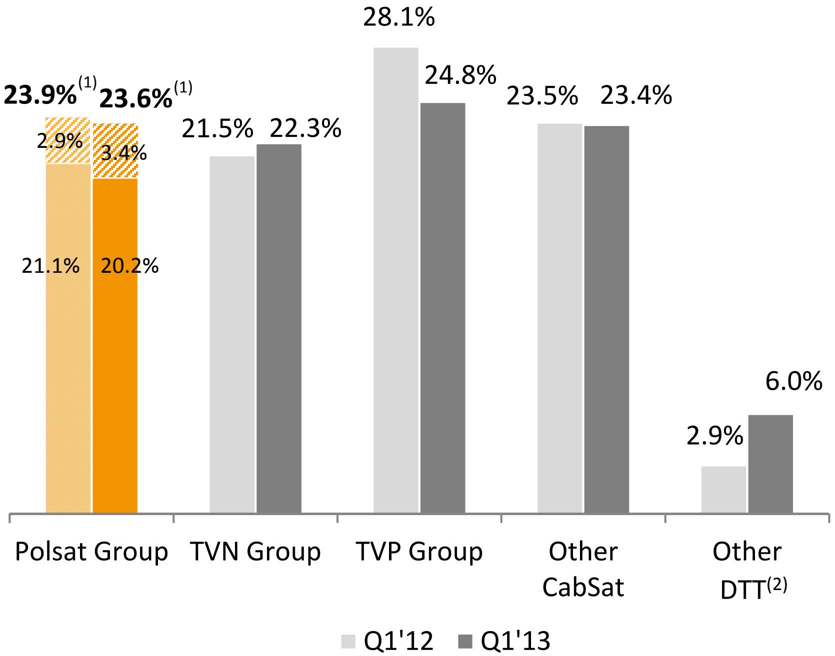
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



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

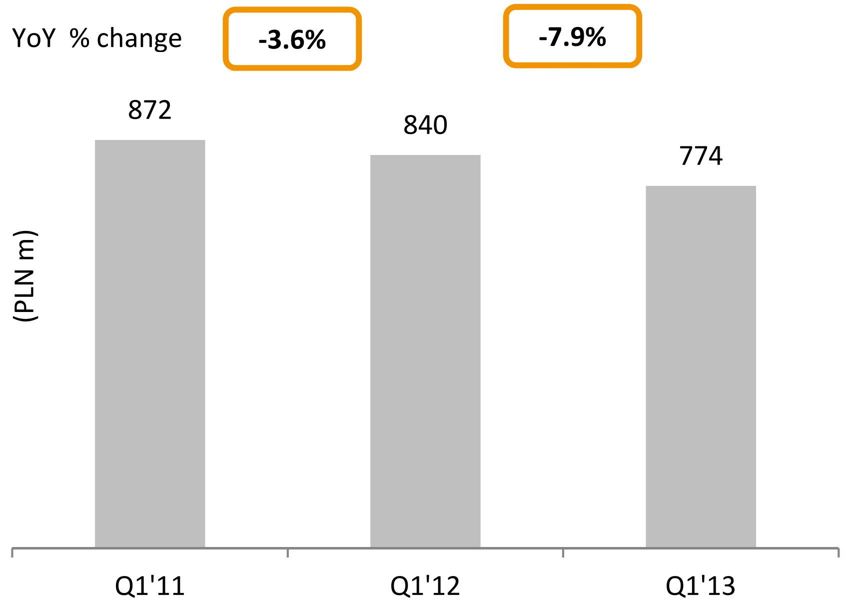
Note (1) Includes audience shares of TV4 and TV6 channels amounting to 2.9% and 3.4% respectively in Q1’12 and Q1’13

(2) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2; YoY growth of 105%

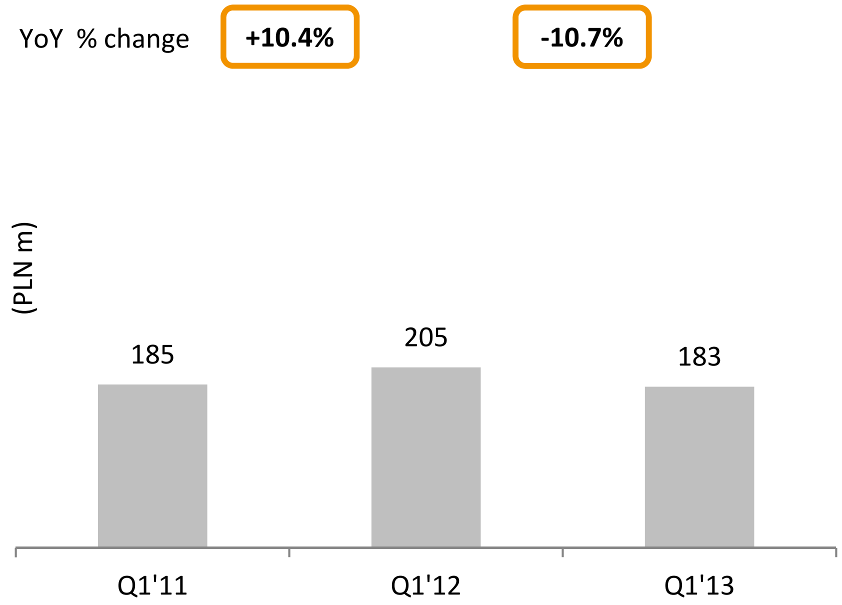
Ad market position

- Stable TV ad market share amounting to 23.6%, despite the fragmentation of the market and the effect of high base from Q1'12 (increase in ad revenues vs Q1'11 by 10.4%[2])
- Stable advertising revenue in **Q1'13** compared to **Q1'11**, while in the same period television advertising market decreased by 11% (ca. PLN 100m)

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
(2) In the same period TV advertising market declined by 3.6%

3 Financial review

Financial results of the Group

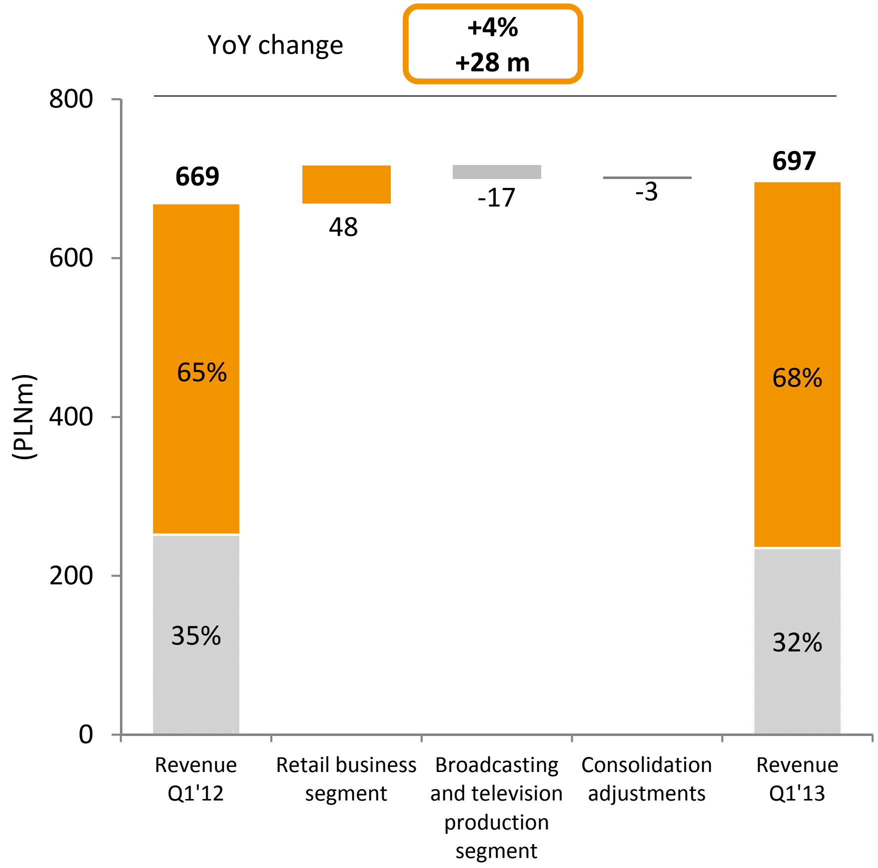
in PLN m	Q1 2013	YoY change
Revenue	699	▲ *4%*
Costs[1]	454	▲ *10%*
EBITDA[2]	245	▼ *(5%)*
EBITDA margin	35.2%	▼ *(3.3pp)*
Net profit	95	▼ *(54%)*

- 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)

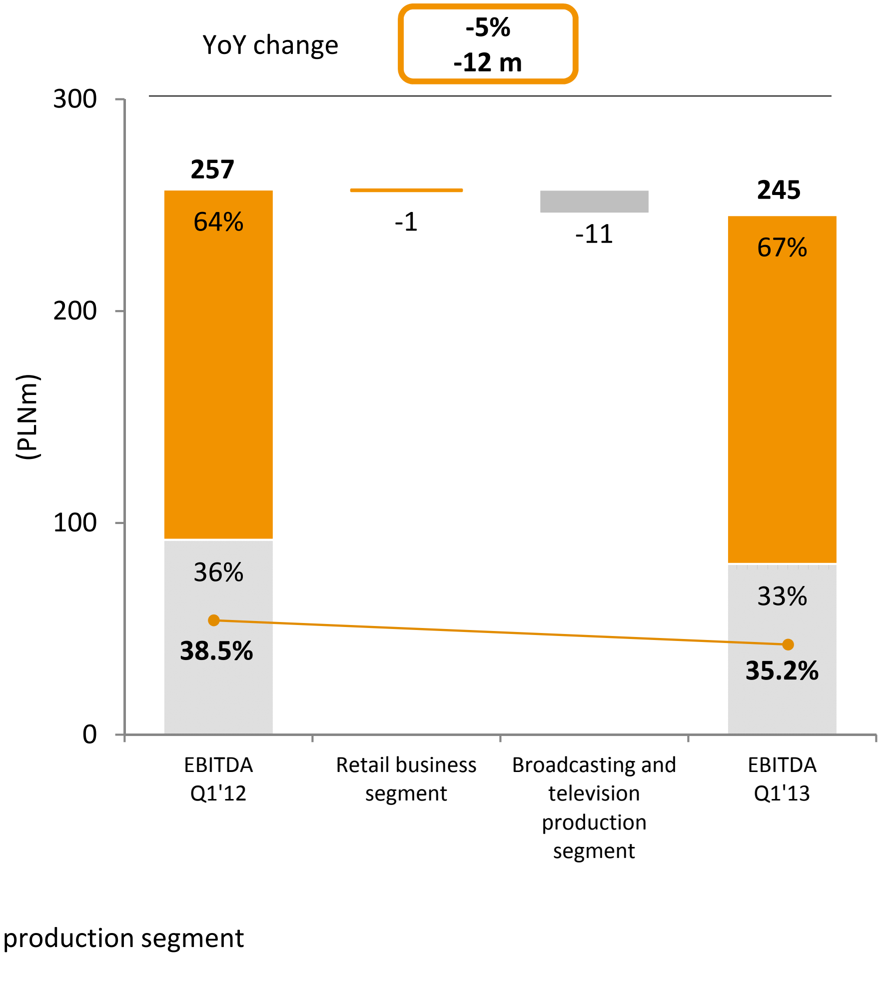
Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis
Note: (1) Costs do not include depreciation, amortization and impairment
(2) A large part of the cost of TV Mobilna project relates to the sale of reception equipment that will be continued in such a significant scale only until the end of July 2013

Revenue and EBITDA – change drivers

Revenue[1]



EBITDA



Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis
Note: (1) Revenue does not include „Other operating income"

Results of the Retail business segment[1]

in PLN m	Q1 2013	YoY change
Revenue	484	▲ *11%*
Costs[2]	319	▲ *19%*
EBITDA	165	– *0%*
EBITDA margin	34.2%	▼ *(3.9pp)*
Net profit	30	▼ *(93%)*

- 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 (positive effect in the prior year) and the postponed payment of dividend from TV Polsat (April '13), partially offset by lower debt service costs

Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis

Note: (1) Consolidation of this 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 will be continued in such a significant scale only until the end of July 2013

Results of the Broadcasting and television production segment[1]

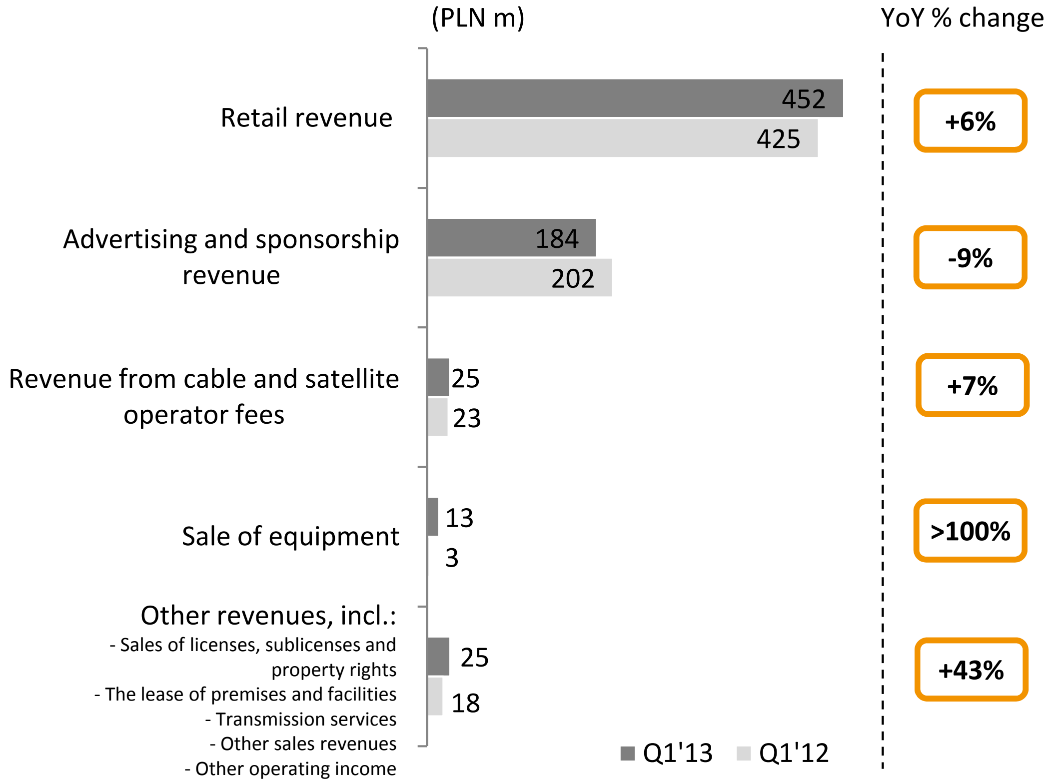
in PLN m	Q1 2013	YoY change
Revenue	245	(7%)
Costs[2]	164	(3%)
EBITDA	81	(12%)
EBITDA margin	32.9%	(2.2pp)
Net profit	61	(17%)

- 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)
- Negative 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) Consolidation of this segment include Telewizja Polsat Sp. z o.o. and all its subsidiaries
(2) Costs do not include depreciation, amortization and impairment

Revenue structure

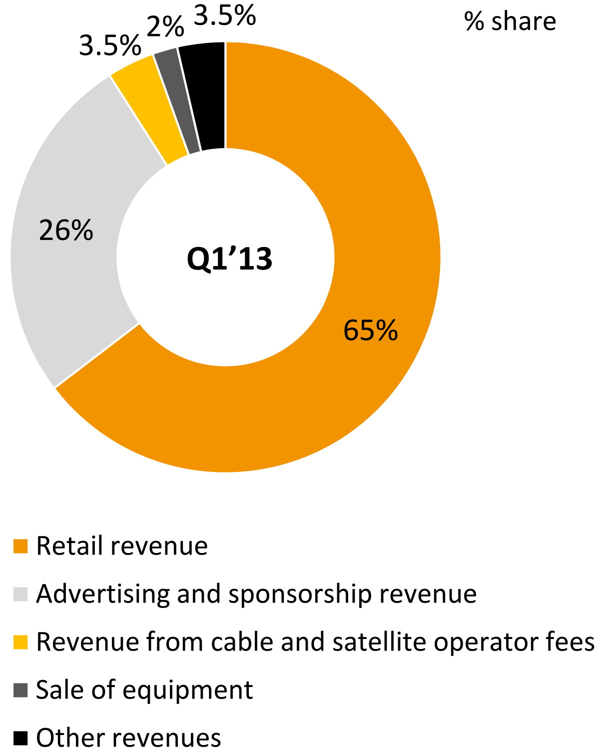
Revenue in Q1’13 vs. Q1’12



Total

Q1’13 PLN 699 m
Q1’12 PLN 670 m
+4%

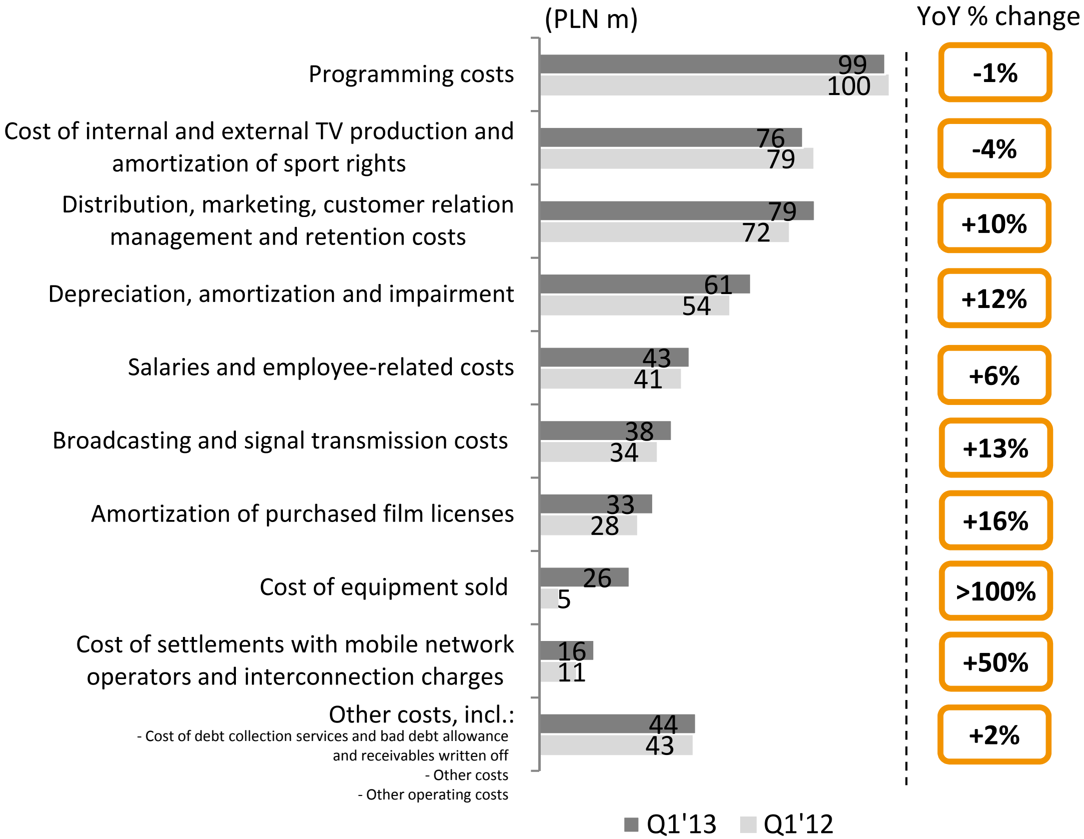
Revenue breakdown



Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis

Cost structure

Operating costs in Q1’13 vs. Q1’12



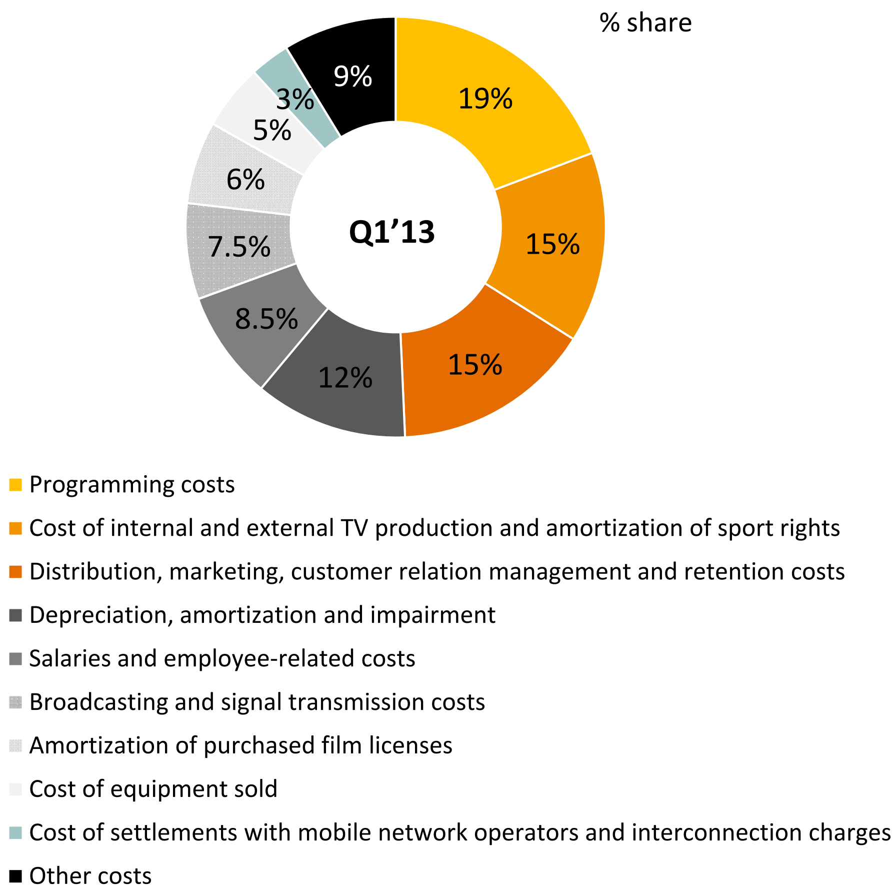
Total

Q1’13 PLN 515 m

Q1’12 PLN 467 m

10%

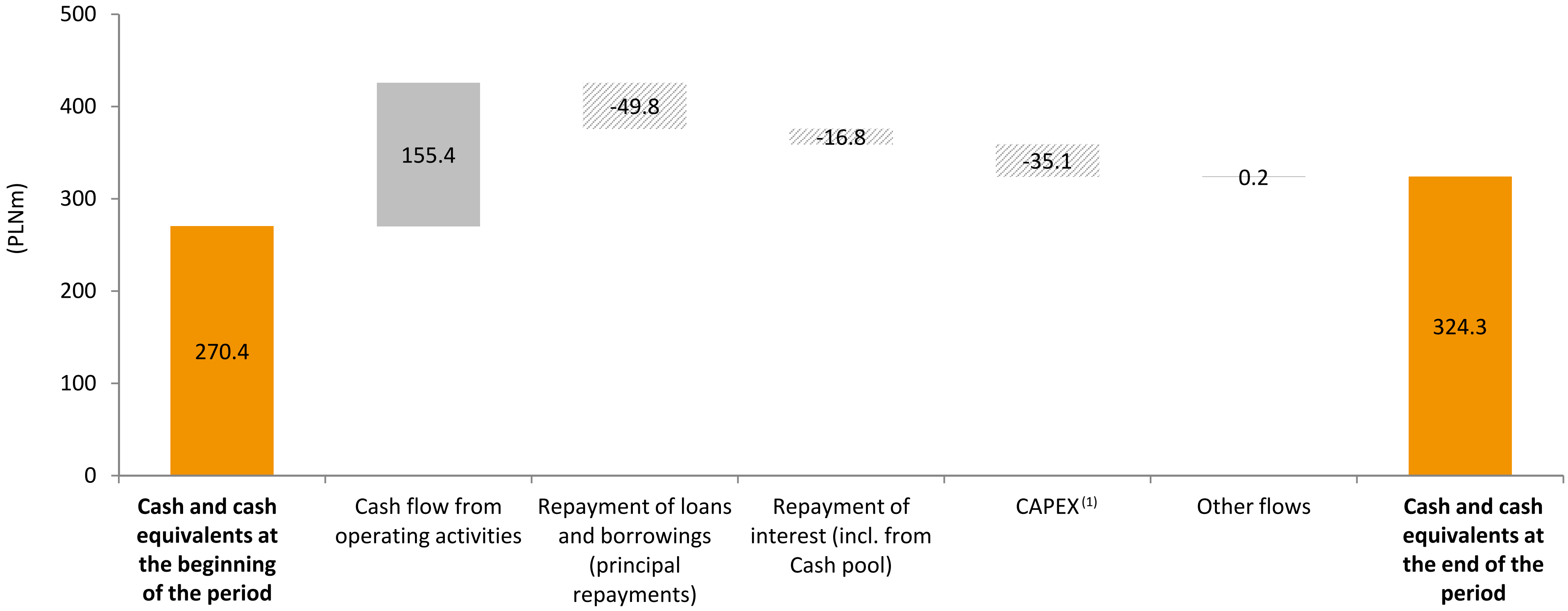
Operating costs breakdown



Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis

Cash flow

Net cash flow, cash position and debt – Q1'13

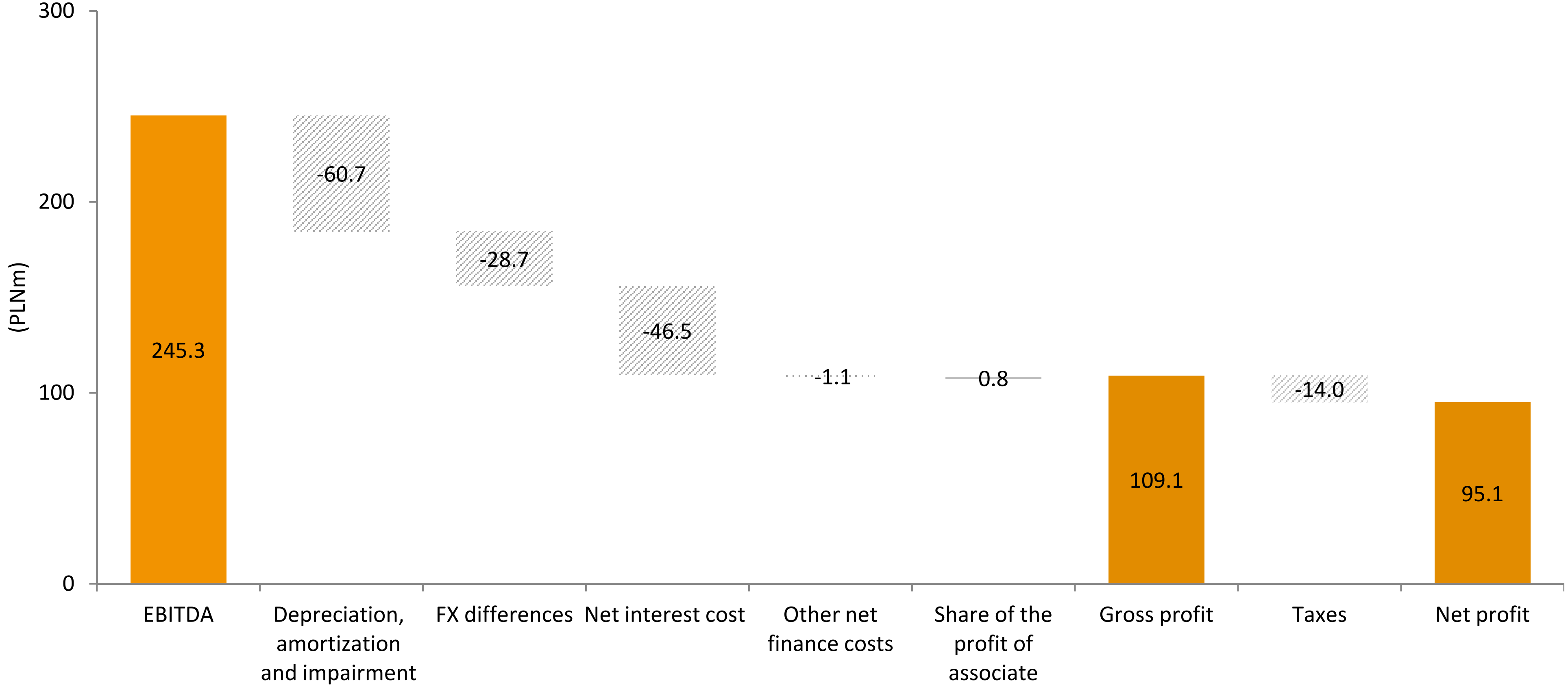


Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis

Note: (1) Excluding expenditures on set-top-boxes and modems leased to subscribers

Items below EBITDA

Depreciation, amortization, finance income and costs and taxes – Q1'13

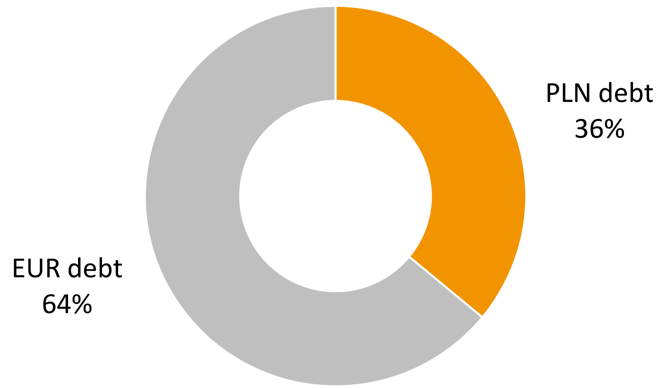


Source: Interim condensed consolidated financial statements for the 3 month period ended 31 March 2013 and internal analysis

Financial indebtedness

in PLN m	Mar. 31, 2013	Maturity
Senior facility [(1)]	823	2015
Senior Notes [(1)]	1,471	2018
Finance lease	1	2015
Cash and equivalents	324	-
Net Debt	**1,971**	
12M EBITDA	1,020	
Net Debt / 12M EBITDA	**1.93**	

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 month period ended 31 March 2013 and internal analysis
Note: (1) Carrying amount value of debt outstanding

5 Q&A

Contact us

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