



Results for Q3 2013

14 November 2013

Disclaimer



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Introduction

Summary of operational results



- Number of pay-TV subscribers at the end of Q3'13 at a stable level of 3,525,855
- In Q3'13 Family Package ARPU increased YoY by 4.5% to PLN 49.2 and Mini Package ARPU amounted to PLN 13.1
- Churn rate of 9.1%
- In Q3'13 number of Internet users increased YoY almost by nearly 80% to 209 ths
- In Q3'13 the number of users of IPLA application and website, according to our estimates, amounted on monthly average to ca. 3.3 million



- Audience share in Q3'13 was 21.6%
- TV advertising market share in Q3'13 was 24.7%

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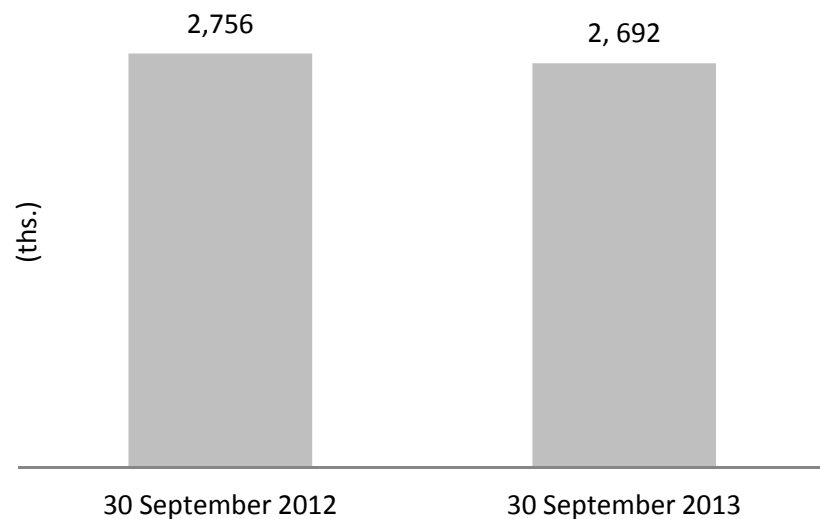
Operational results

Stable subscriber base

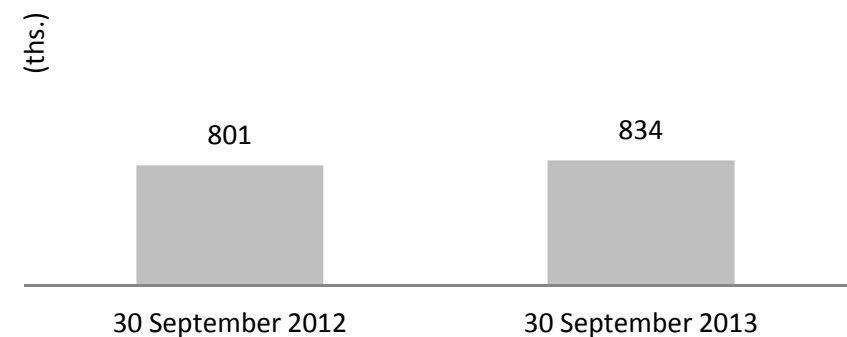


- On annual basis our subscriber base amounted to **3.53 million** as of the end of Q3'13
- 80% of our customers use HD set-top boxes
- Approx. 18% of our customers have Multiroom service

Subscribers — Family Package



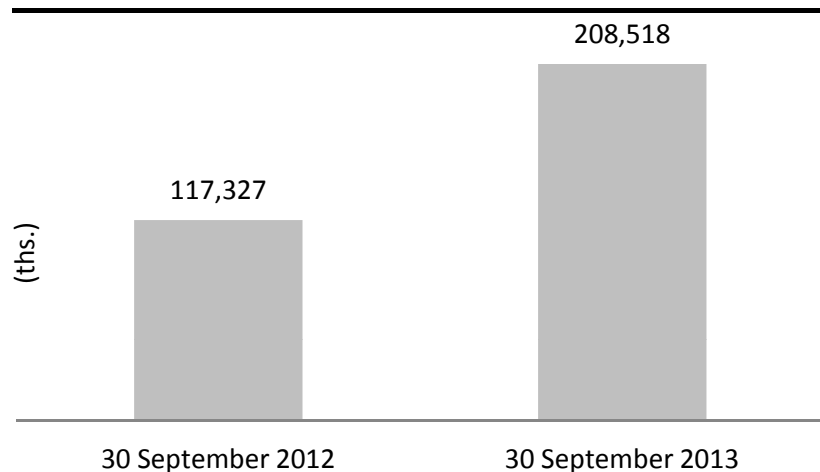
Subscribers — Mini Package (incl. TV Mobilna)



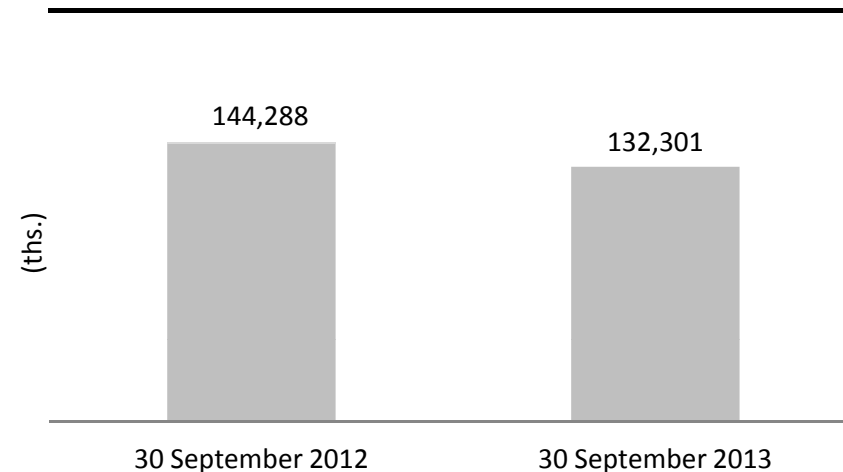
Factors for further growth in value from retail business segment



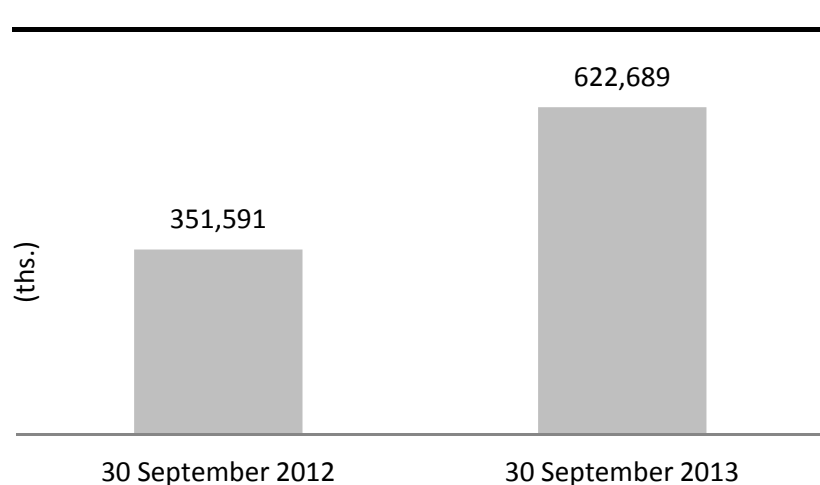
Internet service users



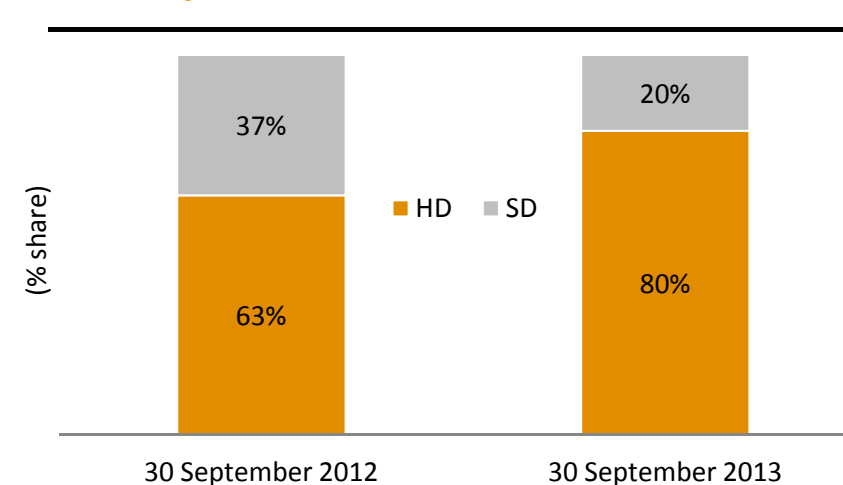
Mobile telephony service users⁽¹⁾



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

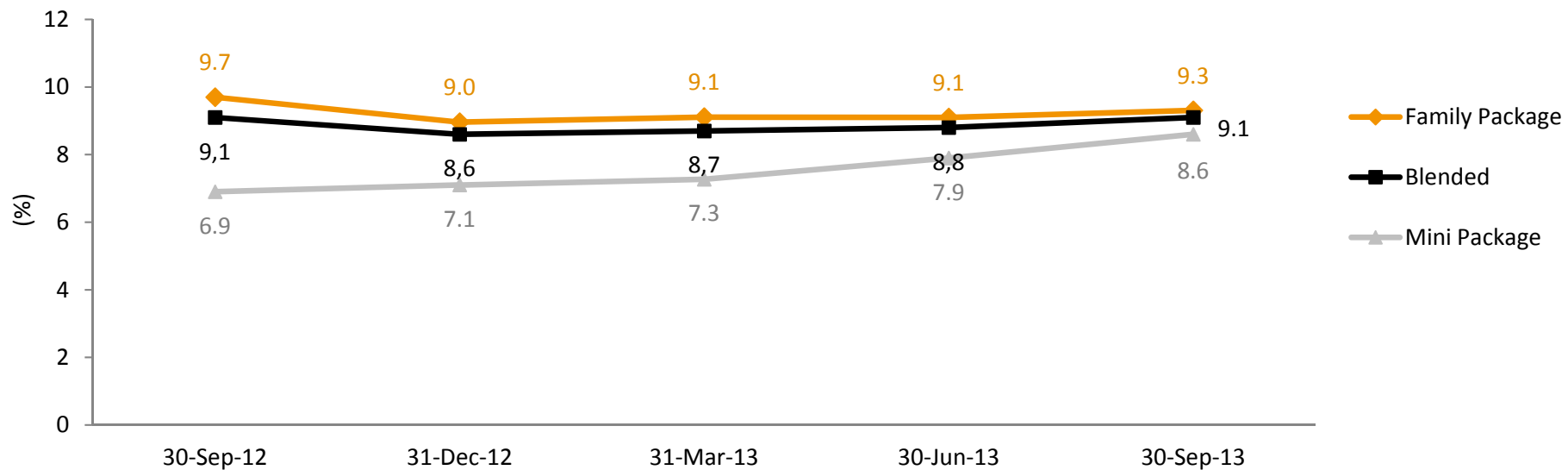
Low churn rate



Stable churn rate (blended) YoY of 9.1% in Q3'13 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.

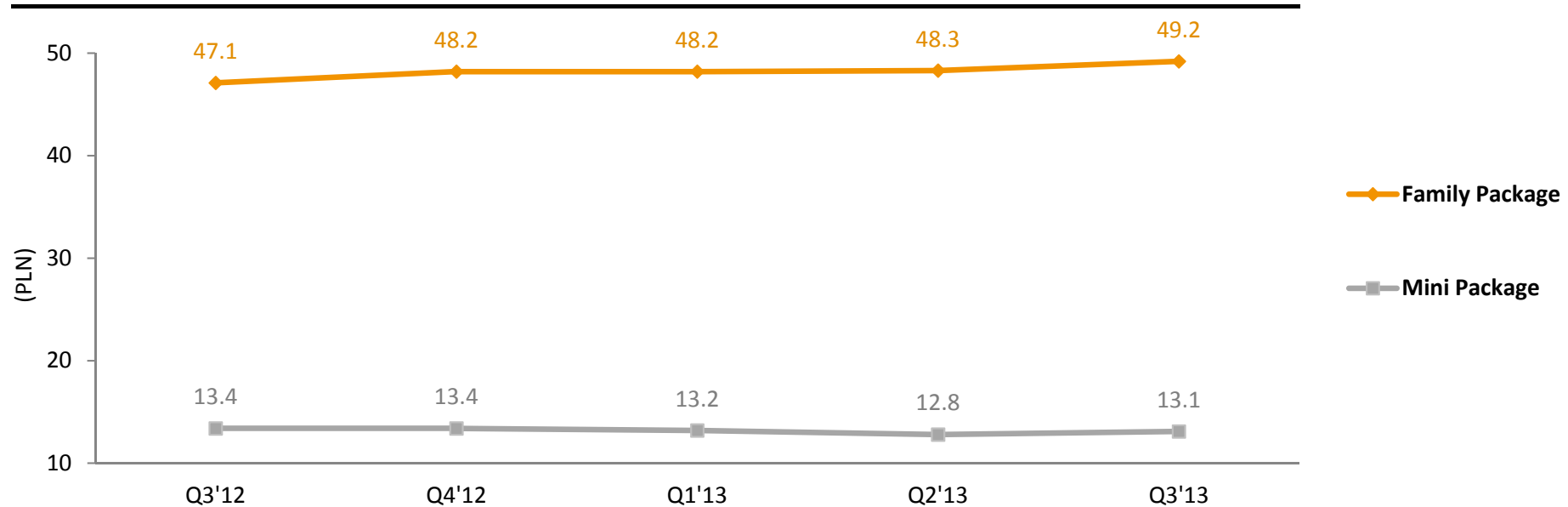
Organic growth in ARPU



Family Package ARPU increased YoY by 4.5% to PLN 49.2 in Q3'13

- Migration of subscribers to higher programming packages
- Additional services incl. Multiroom and PPV

ARPU



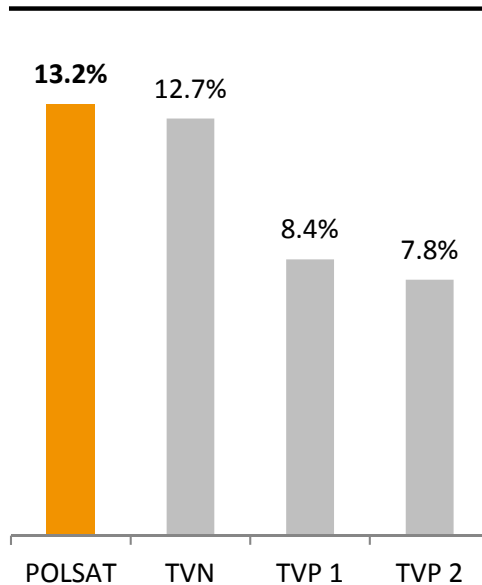
Note: "ARPU" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting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

Audience share (Q3'13)

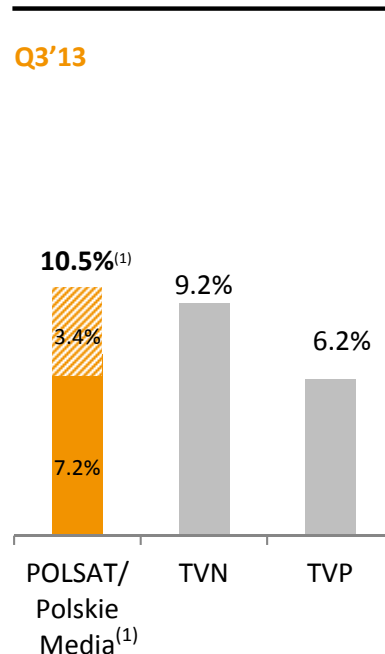


- Audience share of TV Polsat Group in Q3'13 under the influence of digitalization
 - Audience share of the main channel under influence of the extension of DTT reach (switch-off of the analogue transmitters at the end of July 2013)

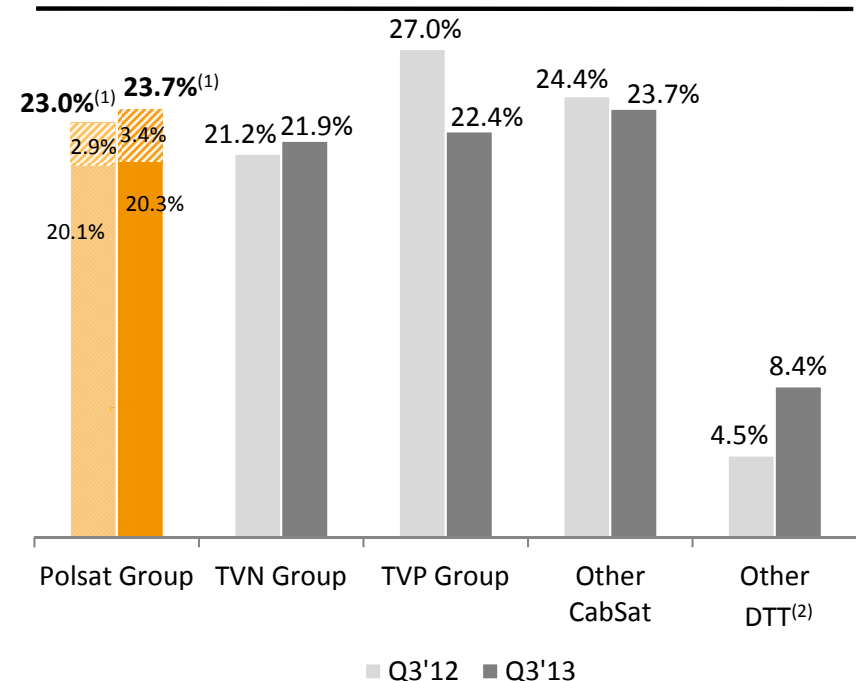
Audience share of main channels



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 Q3'12 and Q3'13; consolidated shares of TV Polsat Group including results of TV4 and TV6 consolidated since September 2013 amounted to 20.1% and 21.6% respectively in Q3'12 and Q3'13

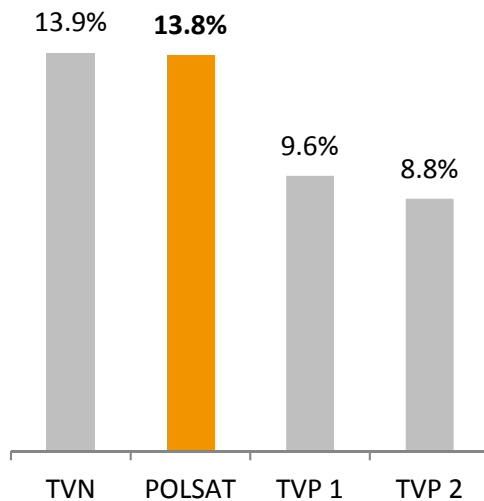
(2) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2; YoY growth of 84%

Audience share (9M'13)

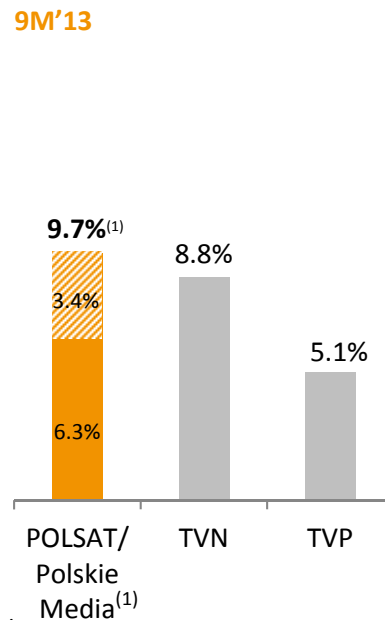


- Audience share of TV Polsat Group in 9M'13 in line with our strategy
 - Audience share of the main channel under the influence of market fragmentation caused by the growth in the DTT reach, compensated by the growth in audience share of thematic channels

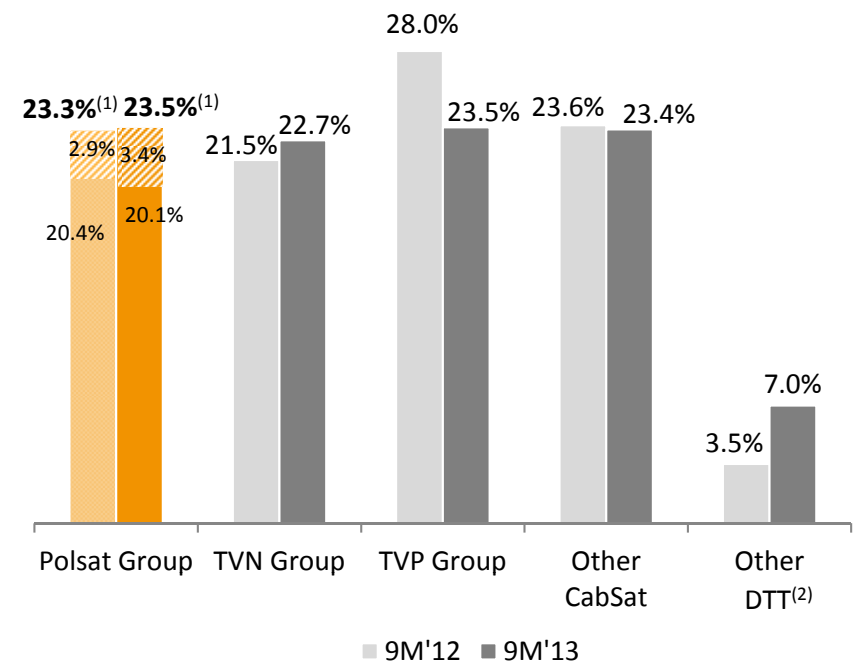
Audience share of main channels



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 3.4% respectively in 9M'12 and 9M'13; consolidated shares of TV Polsat Group including results of TV4 and TV6 consolidated since September 2013 amounted to 20.4% and 20.5% respectively in 9M'12 and 9M'13

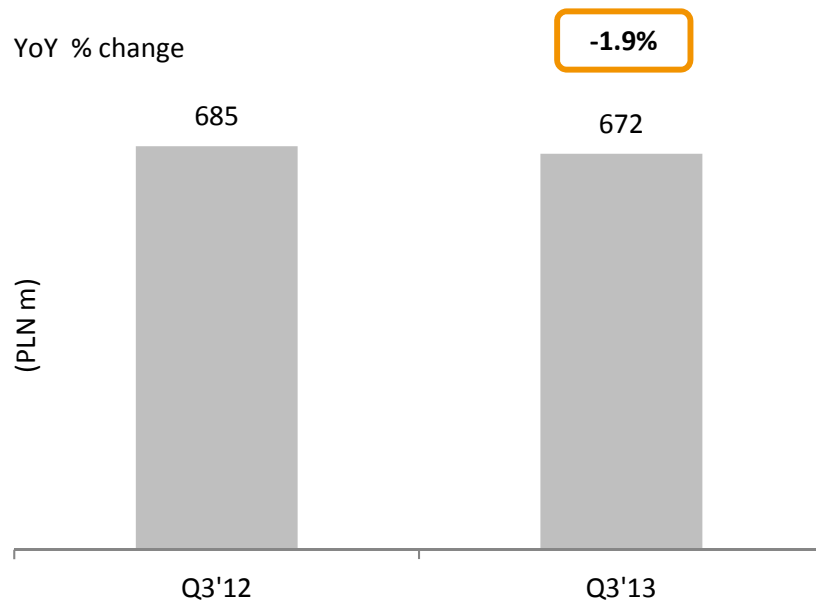
(2) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2; YoY growth of 99%

Ad market position (Q3'13)

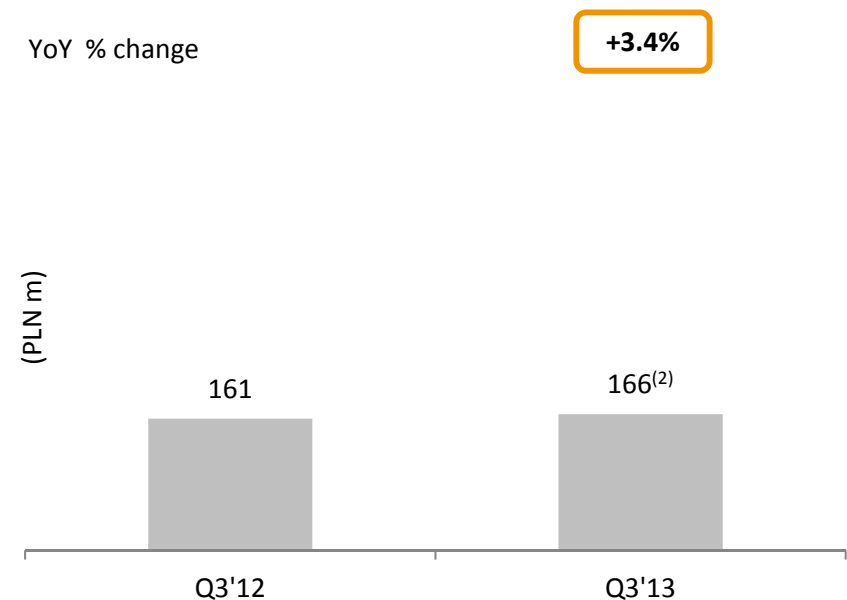


- TV advertising and sponsoring revenue of TV Polsat Group in line with our strategy
 - Increase in revenue from advertising and sponsoring as an effect of the results of TV4 and TV6 consolidated since September 2013, thanks to which the Group increased its market share in Q3'13 to 24.7%; excluding the impact of the consolidation, the decline in advertising revenue was consistent with the market

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

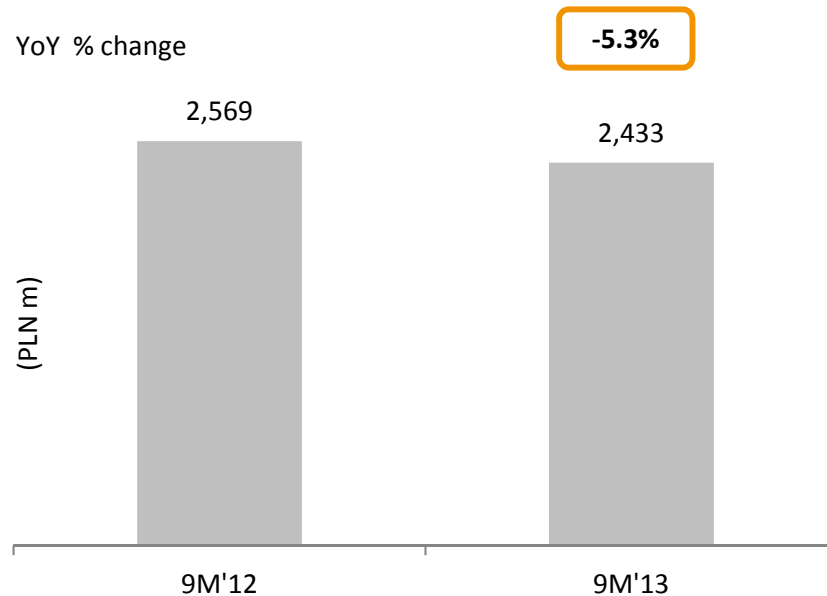
(2) Including PLN 9m ad revenues following the consolidation of Polskie Media S.A. since September 2013

Ad market position (9M'13)

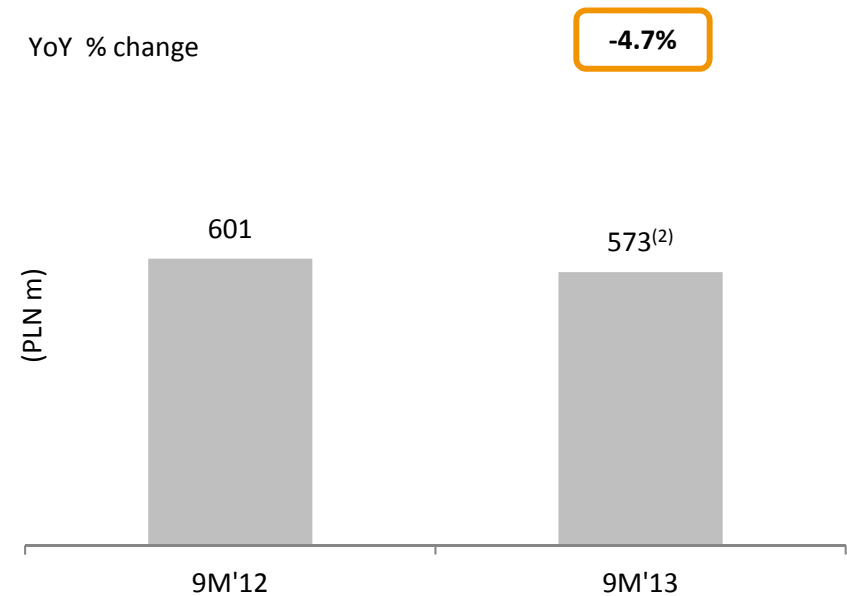


- Stable TV ad market share amounting to 23.5%, despite the fragmentation of the market and the effect of high base from Q1'12

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

(2) Including PLN 9m ad revenues following the consolidation of Polskie Media S.A. since September 2013

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Financial review

Financial results of the Group (Q3'13)



in PLN m	Q3 2013	YoY change		
Revenue	716	↑	11%	<ul style="list-style-type: none"> ● Increase in revenue due to the organic growth of the retail business segment and the income from the disposal of RS TV (subsidiary of TV Polsat)
Costs ⁽¹⁾	448	↑	16%	<ul style="list-style-type: none"> ● The increase in costs mainly due to higher cost of internal and external TV production and amortization of sport rights as well as low base effect of programming costs in Q3'12⁽²⁾
EBITDA	268	↑	4%	
EBITDA margin	39.6%	↓	(0.4pp)	<ul style="list-style-type: none"> ● Net profit reflects lower foreign exchange gains on the valuation of the Senior Notes and lower debt service costs (i.a. lower interest cost resulting from the prepayments of the term facility loan in Q3'12, Q2'13 and Q3'13)
Net profit	176	↑	3%	

Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis

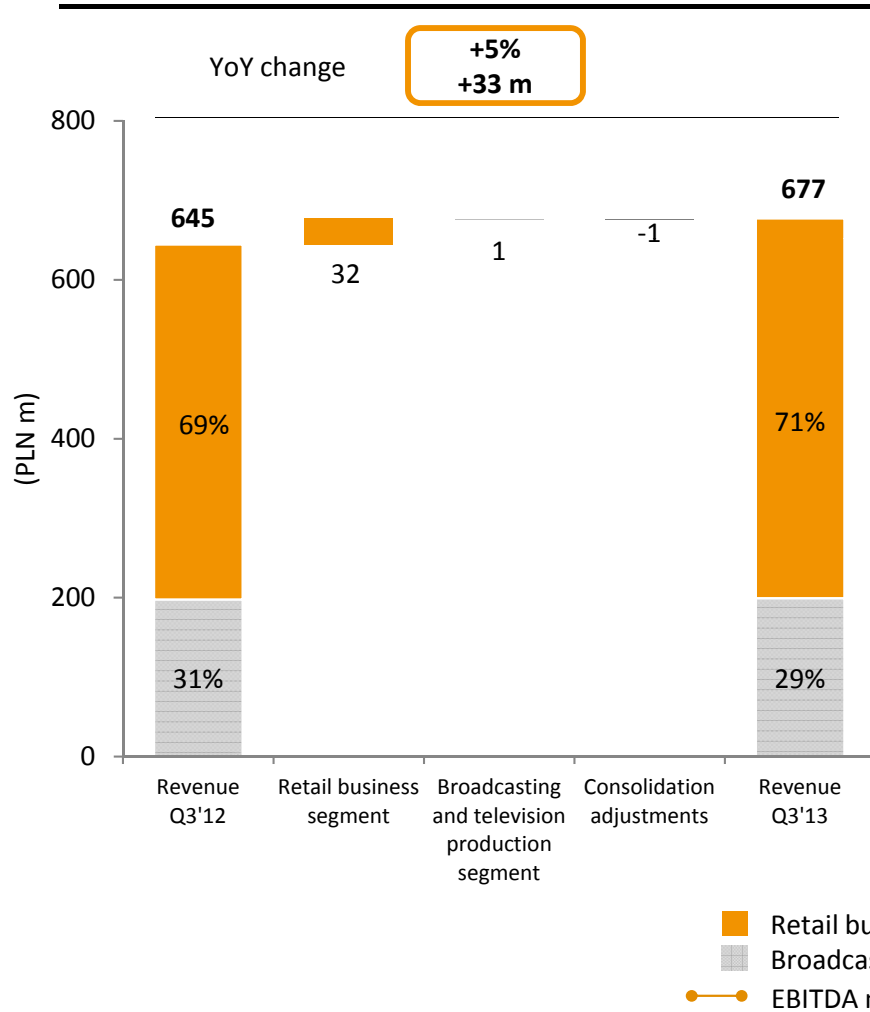
Note: (1) Costs do not include depreciation, amortization and impairment

(2) One-off in Q3 2012 related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

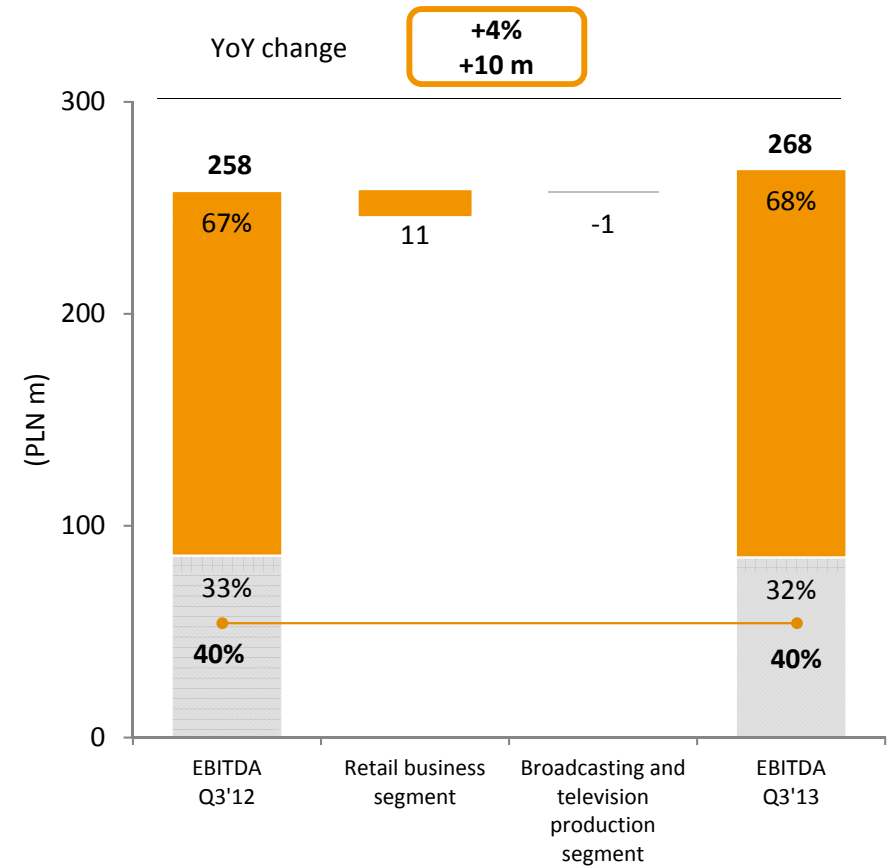
Revenue and EBITDA – change drivers (Q3'13)



Revenue⁽¹⁾



EBITDA



Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis
 Note: (1) Revenue does not include „Other operating income”

Results of the Retail business segment (Q3'13)⁽¹⁾



in PLN m	Q3 2013	YoY change		
Revenue	484	↑	7%	<ul style="list-style-type: none"> Record high revenues from retail revenue thanks to the steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	300	↑	8%	<ul style="list-style-type: none"> The increase in costs mainly due to: <ul style="list-style-type: none"> – growth of the Internet access subscribers base and higher average use of data packages – higher costs of distribution of equipment for reception of TV Mobilna in DVB-T as well as higher efficiency of retention programs
EBITDA	183	↑	7%	
EBITDA margin	37.9%	↓	(0.2pp)	<ul style="list-style-type: none"> The decrease in the net profit due to lower foreign exchange gains on the valuation of the Senior Notes partially offset by the lower debt service costs
Net profit	104	↓	(3%)	

Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 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 April 2012)

(2) Costs do not include depreciation, amortization and impairment

Results of the Broadcasting and television production segment (Q3'13)⁽¹⁾



in PLN m	Q3 2013	YoY change	
Revenue	260	↑	18%
Costs ⁽²⁾	175	↑	29%
EBITDA	85	↓	(1%)
EBITDA margin	38.3%	↓	(0.6pp)
Net profit	77	↑	19%

- Increase in revenue due to the income from the disposal of RS TV (subsidiary of TV Polsat) and consolidation of the newly acquired company Polskie Media S.A. partially offset by lower revenues from advertising and sponsoring following decline in TV advertising market
- The increase in costs mainly due to the low base effect of programming costs in Q3'12⁽³⁾ - (excl. the effect the cost increased by only 14%)
- Significant impact of the disposal of RS TV (PLN 38m) on the EBITDA
- 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

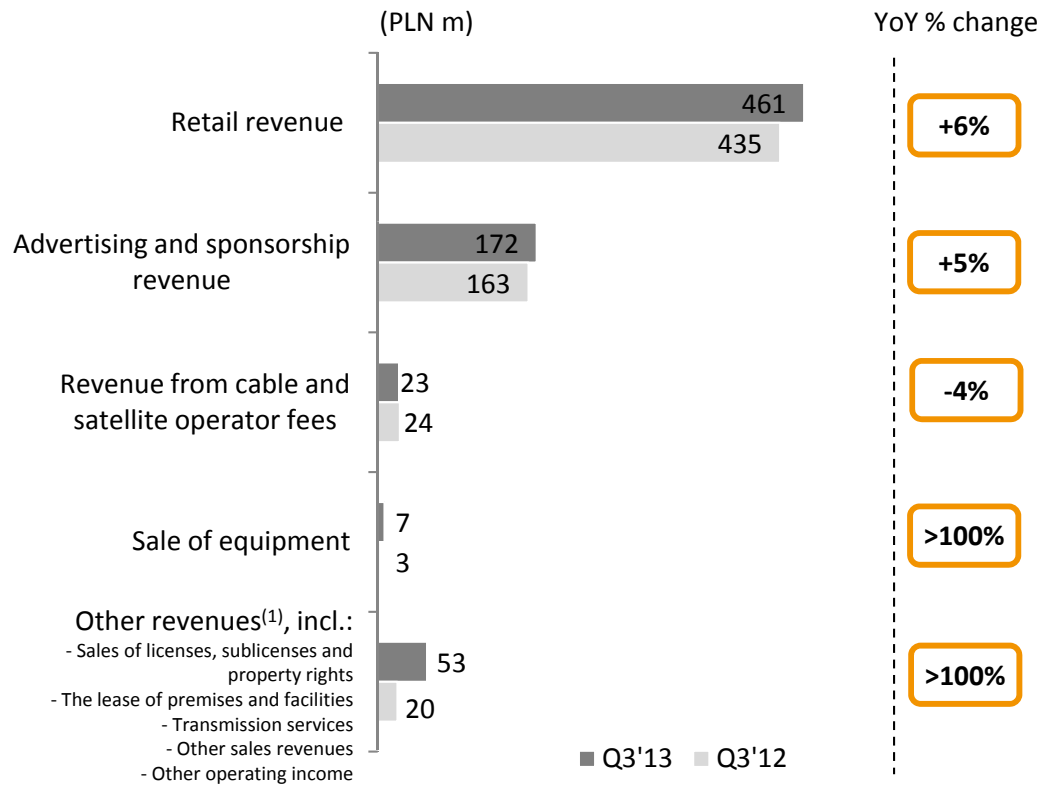
(2) Costs do not include depreciation, amortization and impairment

(3) One-off in Q3 2012 related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Revenue structure (Q3'13)

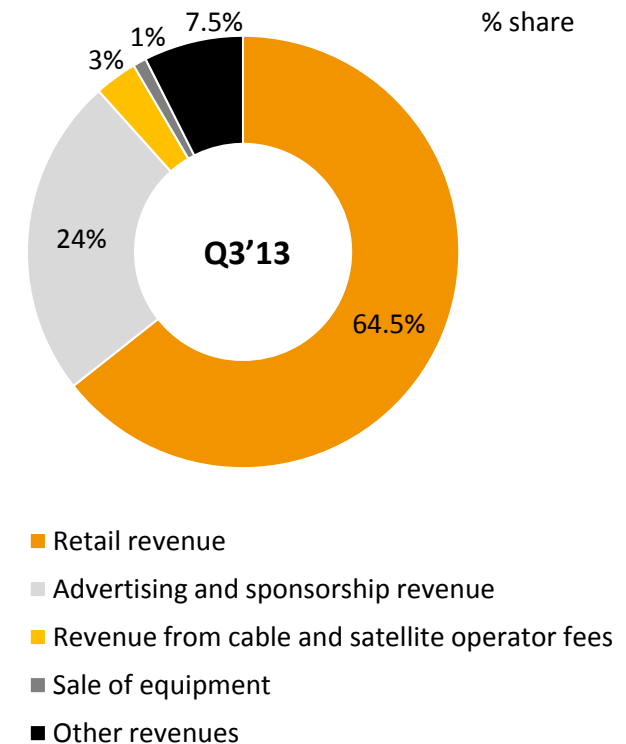


Revenue in Q3'13 vs. Q3'12



Total
 Q3'13 PLN 716 m
 Q3'12 PLN 645 m | **+11%**

Revenue breakdown



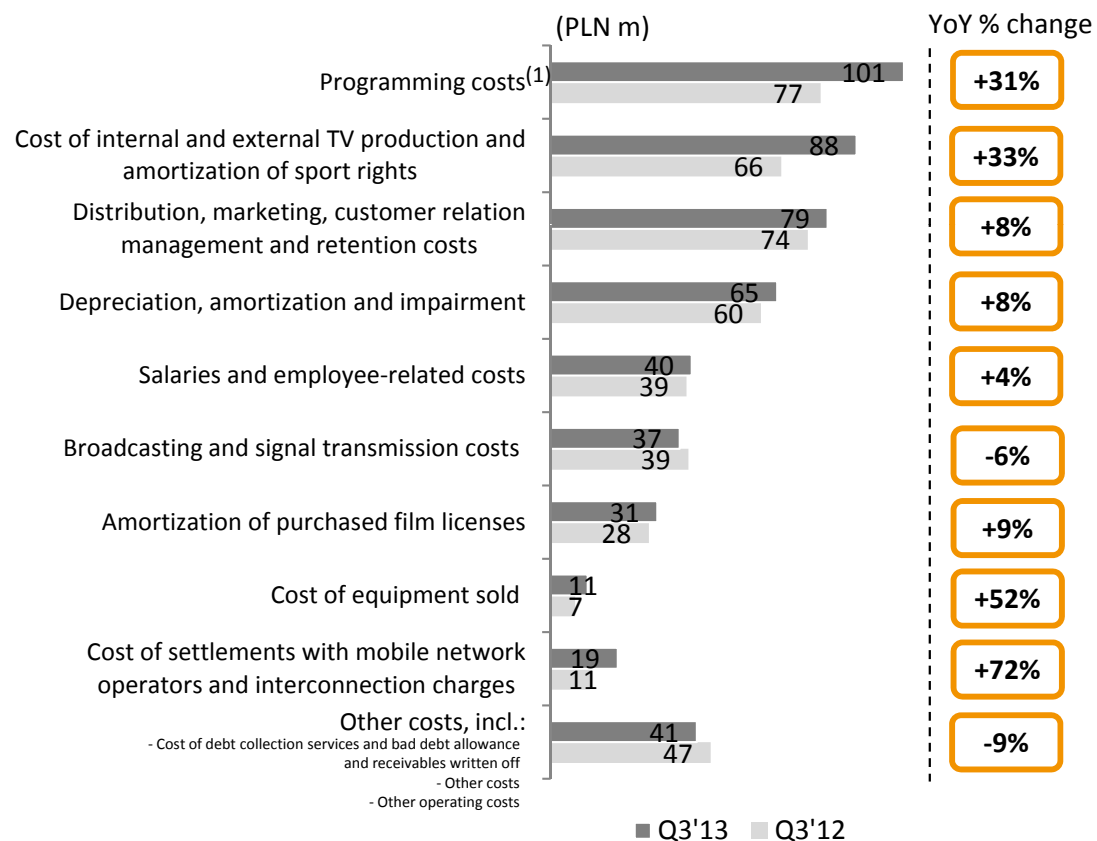
Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis

Note: (1) including PLN 38m income from the disposal of RS TV (subsidiary of TV Polsat)

Cost structure (Q3'13)

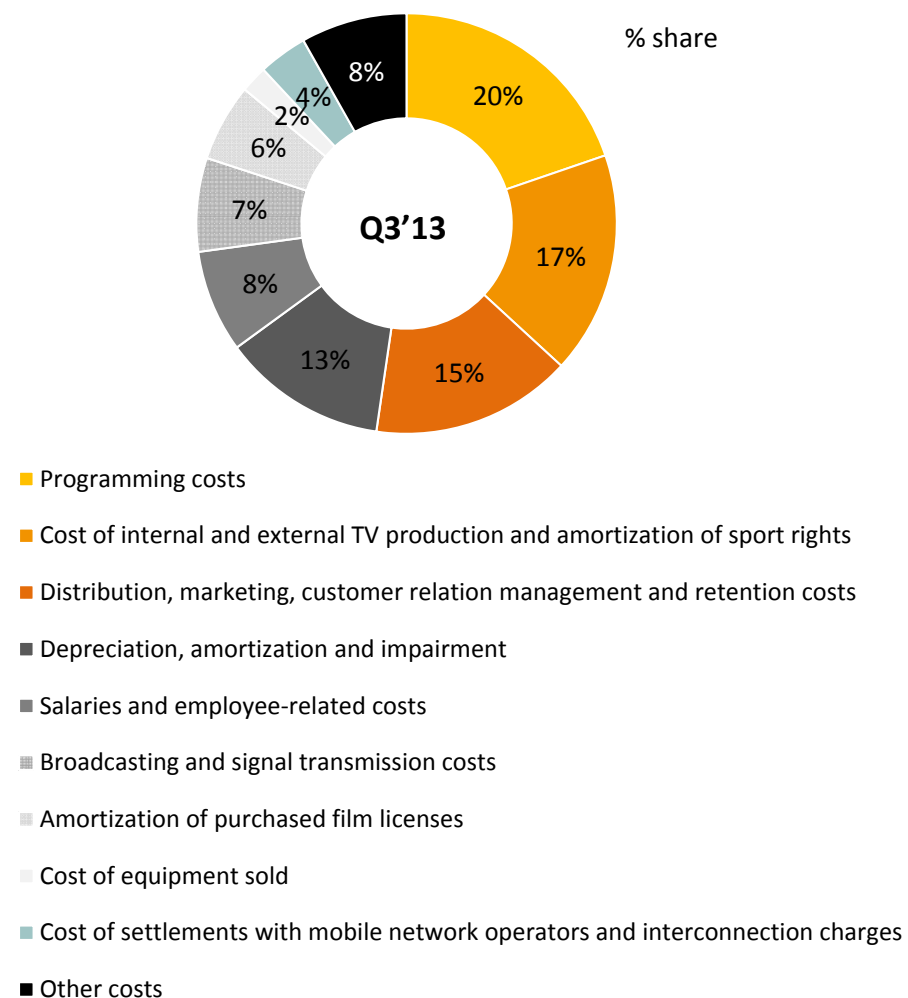


Operating costs in Q3'13 vs. Q3'12



Total
 Q3'13 PLN 512 m
 Q3'12 PLN 448 m | **+14%**

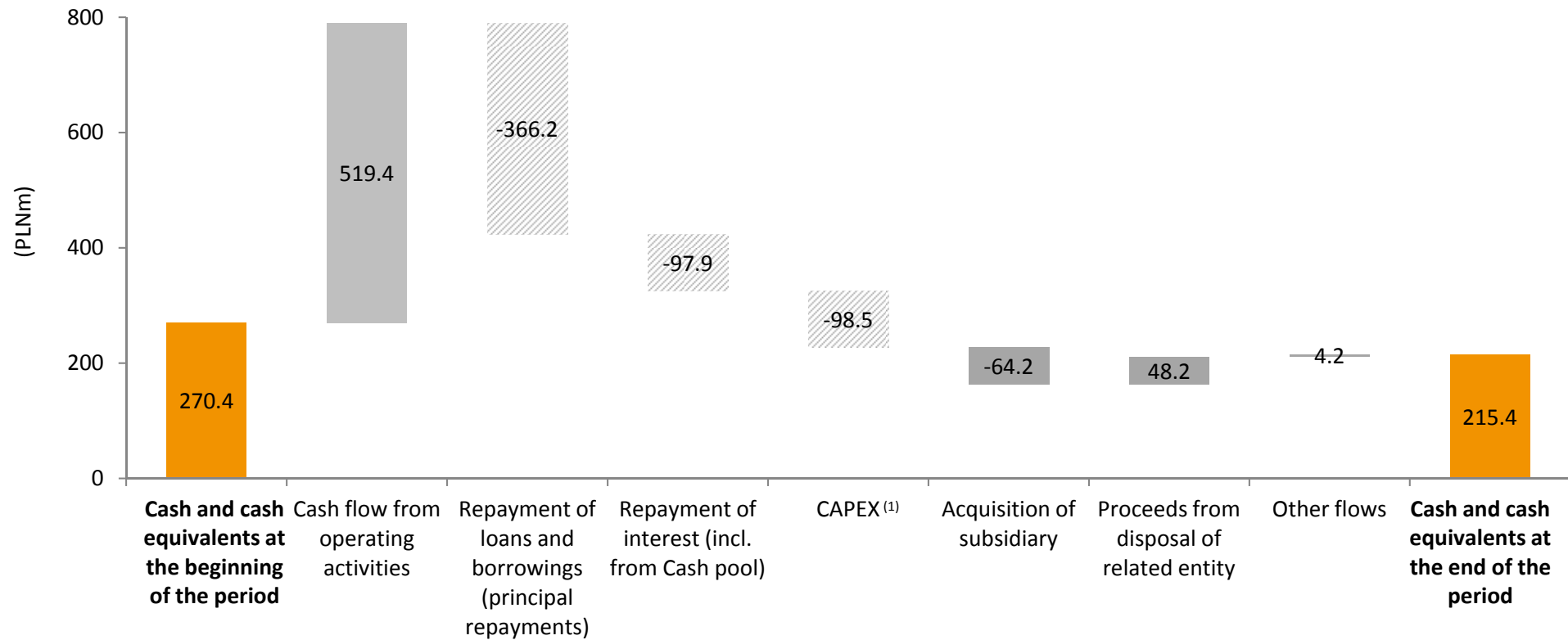
Operating costs breakdown



Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis

Note: (1) One-off in Q3 2012 related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Net cash flow, cash position and debt – 9M'13

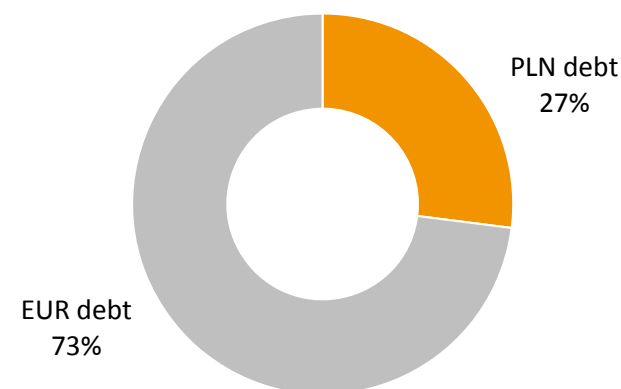


Financial indebtedness



in PLN m	Sep 30, 2013	Maturity
Senior facility ⁽¹⁾	544	2015
Senior Notes ⁽¹⁾	1,487	2018
Finance lease	1	2015
Cash and equivalents	215	-
Net Debt	1,817	
12M EBITDA	1,018	
Net Debt / 12M EBITDA	1.78	

Currency structure of debt



Senior Notes Rating

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

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Appendix

Financial results of the Group (9M'13)



in PLN m	9M 2013	YoY change	
Revenue	2,155	↑	6%
Costs ⁽¹⁾	1,384	↑	11%
EBITDA ⁽²⁾	771	↓	(2%)
EBITDA margin	36.5%	↓	(2.2pp)
Net profit	352	↓	(26%)

- Increase in revenue due to the organic growth of the retail business segment and the income from the disposal of RS TV (subsidiary of TV Polsat)
- The increase in costs mainly due to:
 - Implementation of the strategic project TV Mobilna⁽²⁾ (excl. the project the cost increased by 8%)
 - The low base effect of programming costs in 9M'12⁽³⁾
- High EBITDA margin despite weak advertising market
- Negative effect of the valuation of the Senior Notes partially offset by lower debt service costs (i.a. lower interest cost resulting from the prepayments of the term facility loan in Q3'12, Q2'13 and Q3'13)

Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis

Note: (1) Costs do not include depreciation, amortization and impairment

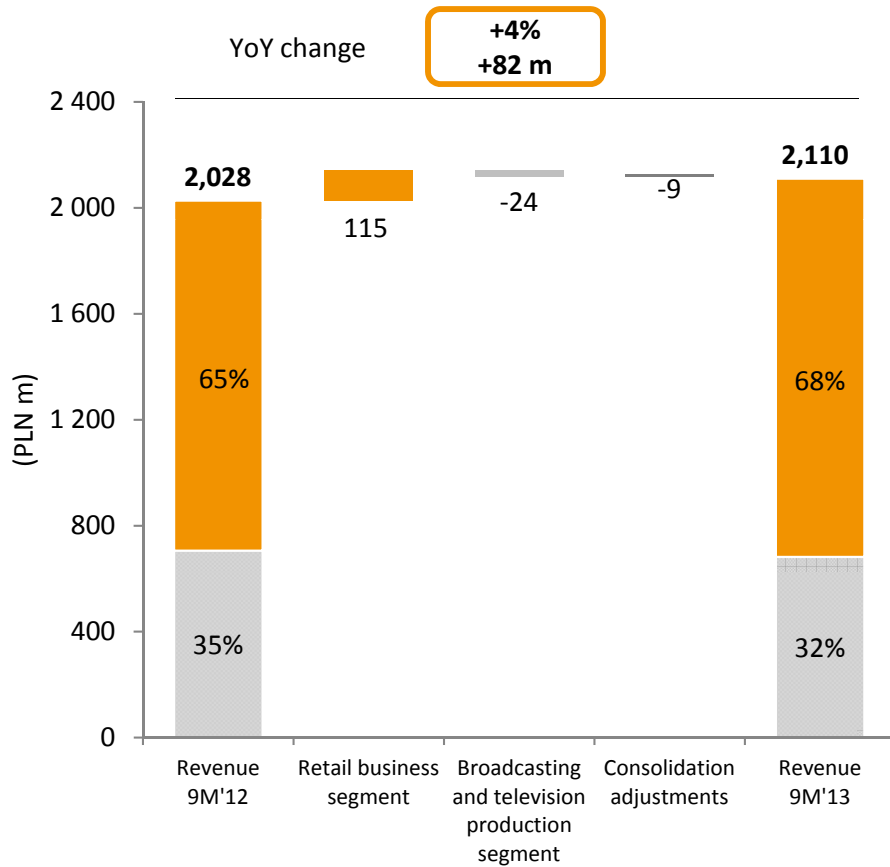
(2) A large part of the cost of TV Mobilna project relates to the sale of reception equipment that was continued in such a significant scale only until the end of July 2013

(3) One-off in Q3 2012 related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

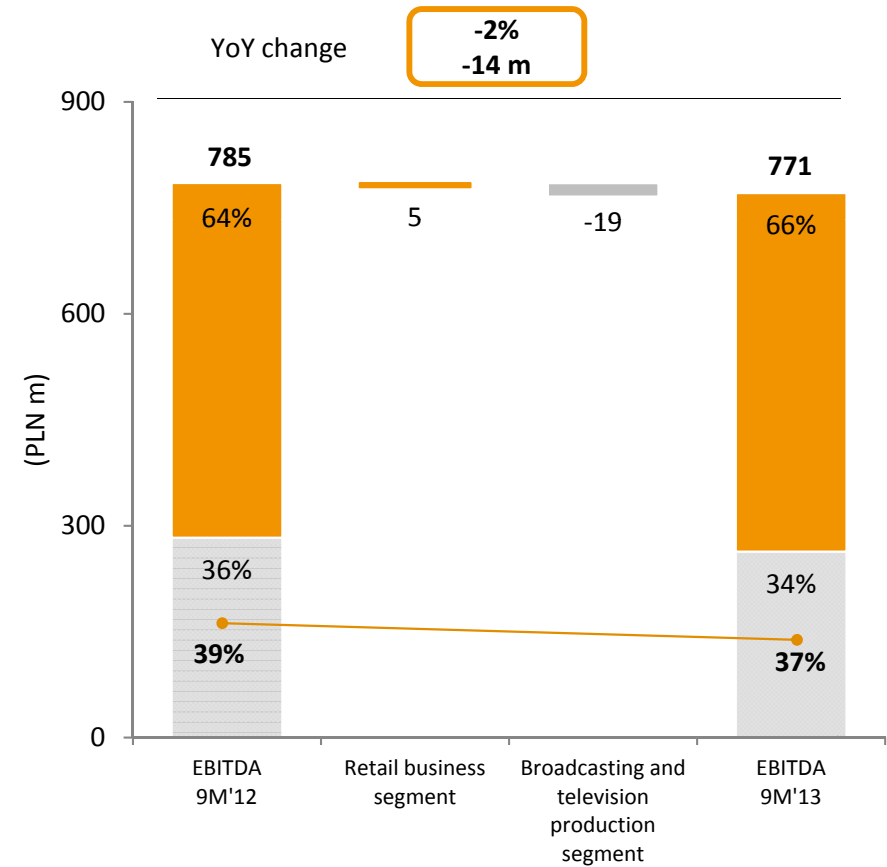
Revenue and EBITDA – change drivers (9M'13)



Revenue⁽¹⁾



EBITDA



Source: Interim condensed consolidated financial statements for the 3 and 9 month period ended 30 September 2013 and internal analysis
 Note: (1) Revenue does not include „Other operating income”

Results of the Retail business segment (9M'13) ⁽¹⁾



in PLN m	9M 2013	YoY change		
Revenue	1,450	↑	9%	Record high revenues from retail revenue thanks to the steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	943	↑	14%	The cost growth rate of 9% excluding implementation of the strategic project TV Mobilna ⁽³⁾
EBITDA	507	↑	1%	
EBITDA margin	35.1%	↓	(2.6pp)	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
Net profit	418	↓	(26%)	

Source: Interim condensed consolidated financial statements for the 3 and 9 month period ended 30 September 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 April 2012)

(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 (9M'13)⁽¹⁾



in PLN m	9M 2013	YoY change		
Revenue	795	↑	2%	• Increase in revenue due to the income from the disposal of RS TV (subsidiary of TV Polsat) partially offset by lower revenues from advertising and sponsoring following the decline in TV advertising market
Costs ⁽²⁾	531	↑	7%	• The increase in costs mainly due to the low base effect of programming costs in 9M'12 ⁽³⁾ (excl. the effect the cost increased by only 3%)
EBITDA	264	↓	(7%)	• Significant impact of the disposal of RS TV (PLN 38m) on the EBITDA
EBITDA margin	34.9%	↓	(1.4pp)	• The increase in the net profit due to foreign exchange gains compared to exchange losses in the previous year
Net profit	215	↑	2%	

Source: Telewizja Polsat Sp. z o.o. and internal analysis

Note: (1) Segment includes Telewizja Polsat Sp. z o.o. and all its subsidiaries

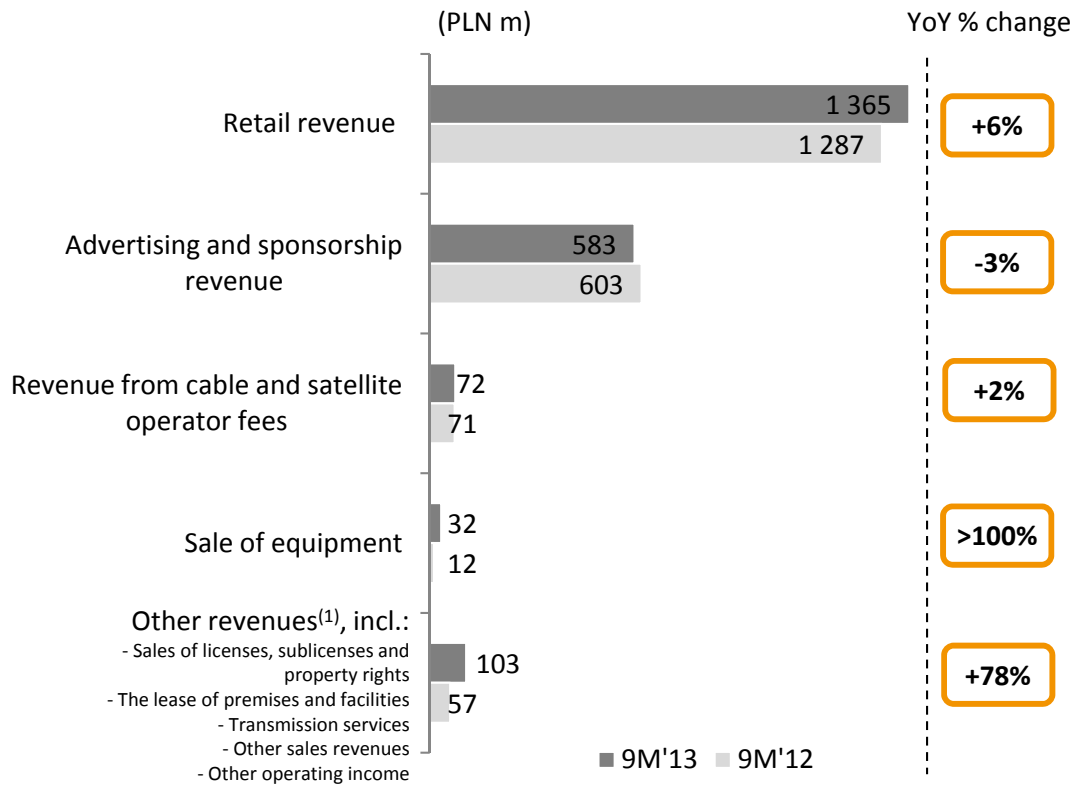
(2) Costs do not include depreciation, amortization and impairment

(3) One-off in Q3 2012 related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Revenue structure (9M'13)

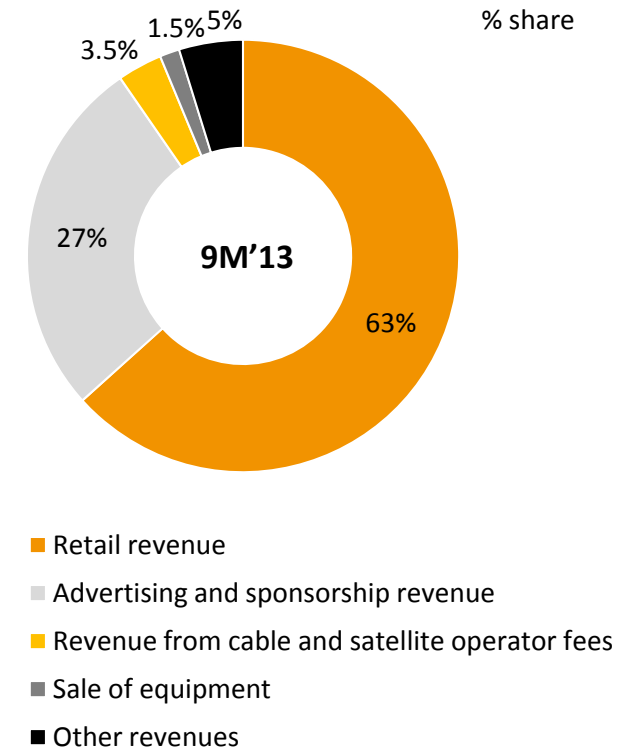


Revenue in 9M'13 vs. 9M'12



Total
 9M'13 PLN 2,155 m | +6%
 9M'12 PLN 2,030 m

Revenue breakdown



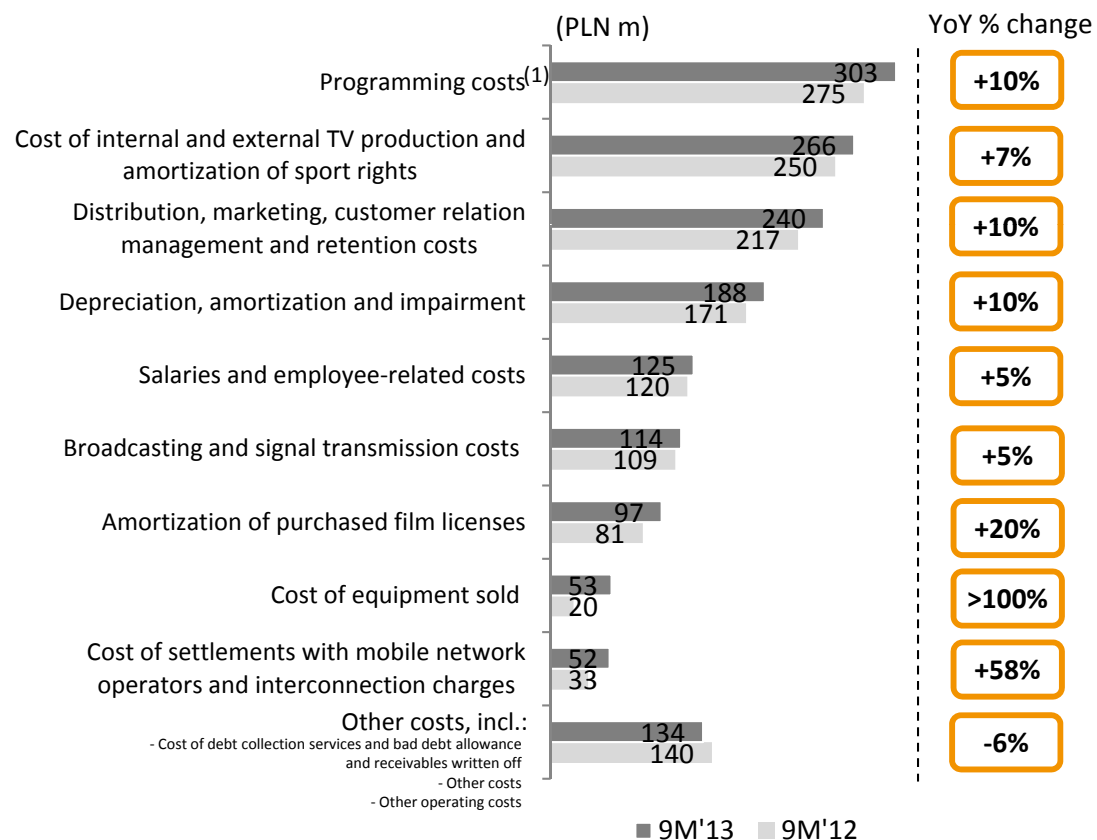
Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis

Note: (1) including PLN 38m income from the disposal of RS TV (subsidiary of TV Polsat)

Cost structure (9M'13)

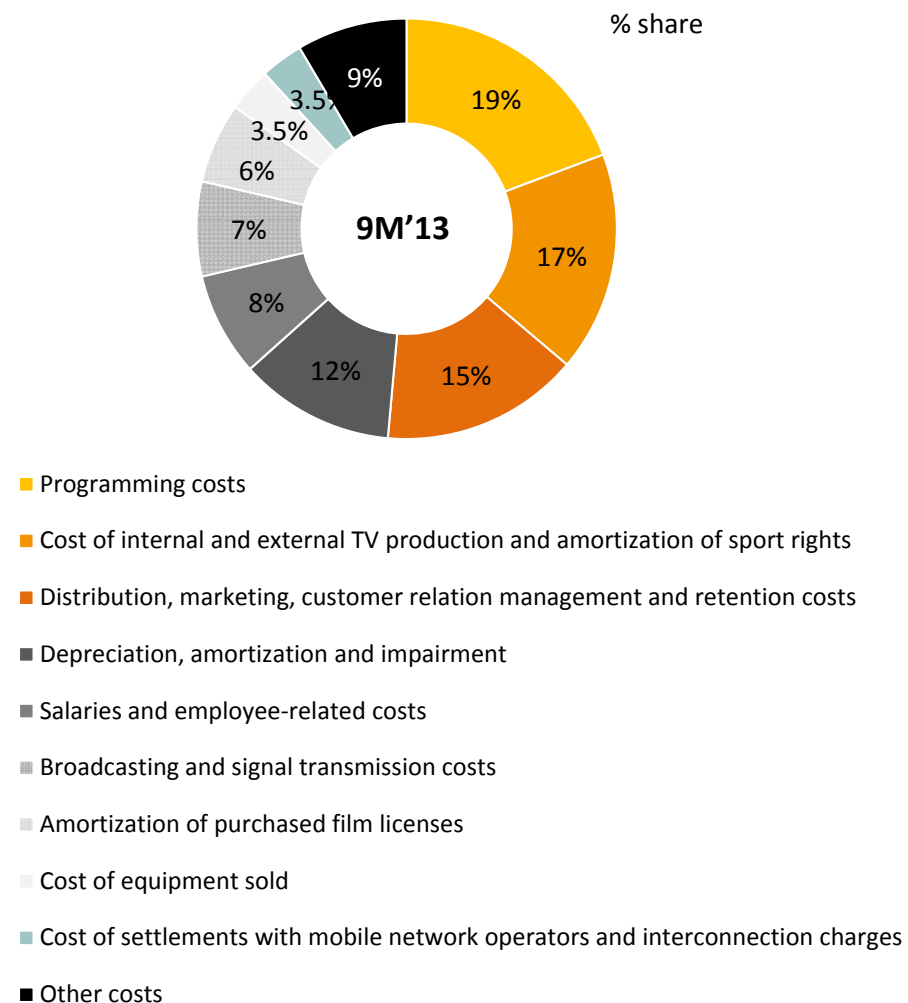


Operating costs in 9M'13 vs. 9M'12



Total
 9M'13 PLN 1,572 m
 9M'12 PLN 1,416 m | **+11%**

Operating costs breakdown



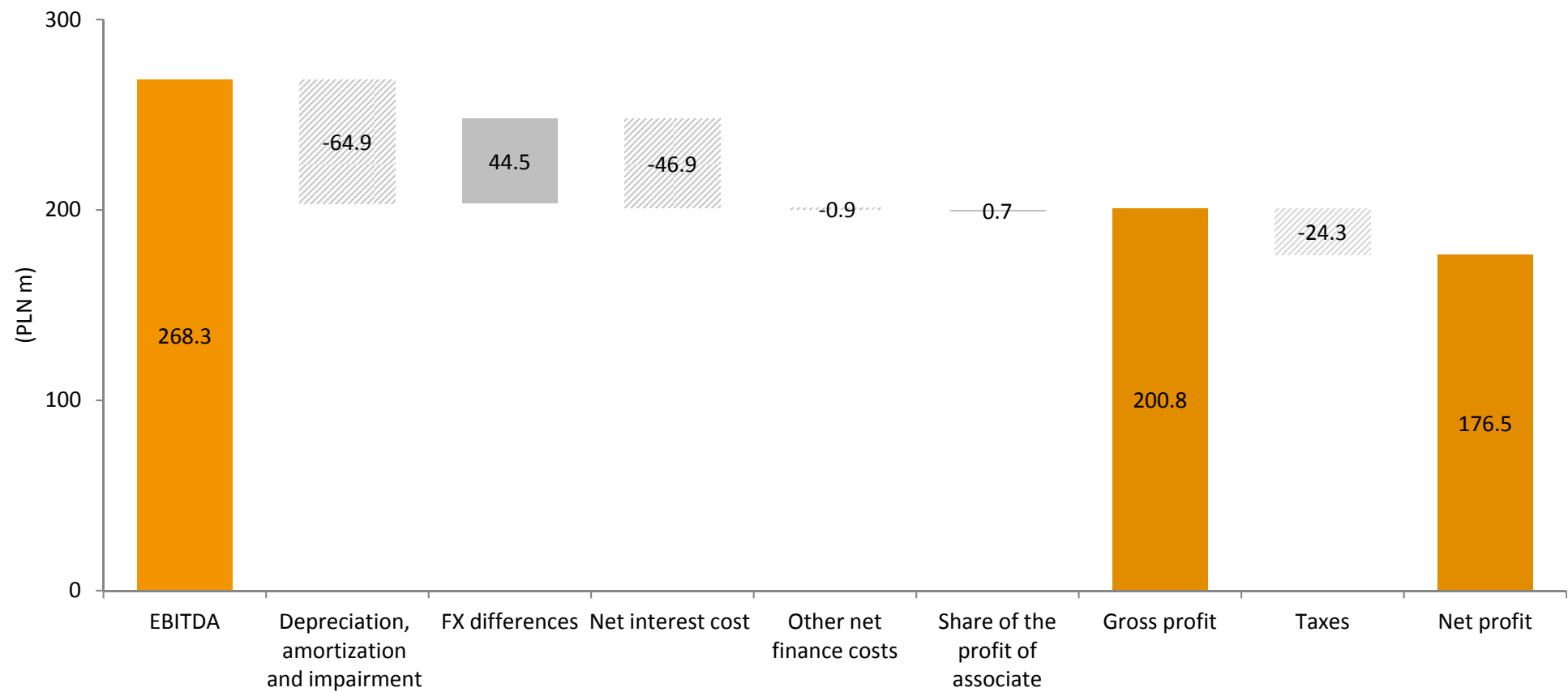
Source: Interim condensed consolidated financial statements for the 3 and 9 months period ended 30 September 2013 and internal analysis

Note: (1) One-off in Q3 2012 related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Items below EBITDA (Q3'13)



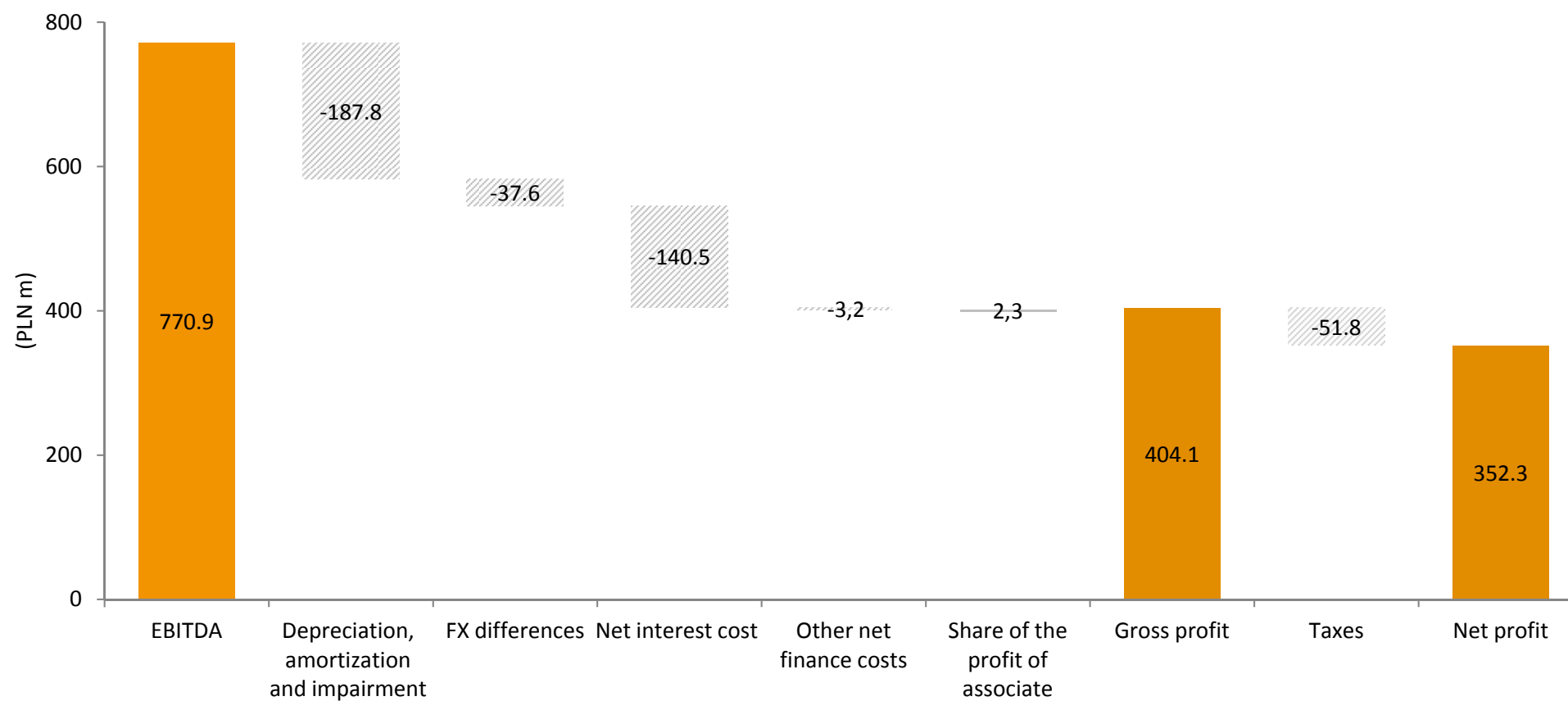
Depreciation, amortization, finance income and costs and taxes – Q3'13



Items below EBITDA (9M'13)



Depreciation, amortization, finance income and costs and taxes – 9M'13



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