



Financial results for the Q1'14

Warsaw, May 15th, 2014

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Introduction



Finalization of the acquisition of Metelem Holding Company Limited, indirectly controlling Polkomtel Sp. z o.o. („Plus”)

- General Meeting approval on share capital increase
- Obtaining new financing, repayment of the term loan (2011) and SSN as well as establishment of security interests on assets of significant value
- Prospectus approval by the Polish FSA
- General Meeting approval on the dividend payment in the amount of nearly PLN 103 million
- Signing of the framework agreement with EBRD
- Issuance of subscription warrants to Metelem shareholders, change of warrants into shares, acquisition of 100% stake in Metelem
- Admission of new shares to trading on the WSE

Important events



- smartDom – joint program of sales of Polsat Group and Plus products and services:
 - Saving through adding services (TV, Internet, Telephone) and expanding the offer by introducing Plus Bank products and sale of electricity
- Preparation of a special offer for existing customers of our group, having only one service from our portfolio – second product with a 50% discount, third for 1 PLN
- Introduction of an unique loyalty program on the Polish market - „Paszport Korzyści”



- Agreements with Polkomtel and with Mobyland on Data Transfer Services
 - New order to Polkomtel for the purchase of 61 million GB per net price of PLN 0.00477 per 1 MB
 - Lower price per 1 MB of data transfer in the amount of PLN 0.00477 for the remaining paid and unused 20,1 million GB

Important events



- Satisfactory viewership results of the spring scheduling – POLSAT, our main channel was the leader in Q1'14, both in all day audience and in the prime time, thanks to the excellent performance of new programs - "Your face sounds familiar", "Dancing with the Stars" and „Hell's Kitchen"

- Purchase of the rights to broadcast Formula 1 races on all of our sports channels and content distribution means



- New thematic channel Disco Polo Music in Polsat's offer dedicated to disco music, dance and feasting - thus, the portfolio of "Polsat" brand channels increased to 25 channels incl. 5 HD channels
- Change of Polsat Biznes into Polsat News Plus, an information and journalistic channel – official launch planned for 9 June 2014

Summary of operational results



- Number of pay-TV subscribers at the end of Q1'14 at a stable level of 3,527,519
- In Q1'14 Family Package ARPU increased to PLN 49.6 and Mini Package ARPU increased to PLN 13.6
- Churn rate of 9.3%
- In Q1'14 the number of Internet users increased to 255 ths
- In Q1'14 the number of users of IPLA application and website, according to our estimates, amounted on average to nearly 4.2 million monthly



- Audience share in Q1'14 increased to 22.5%
- TV advertising market share in Q1'14 increased to 24.9%

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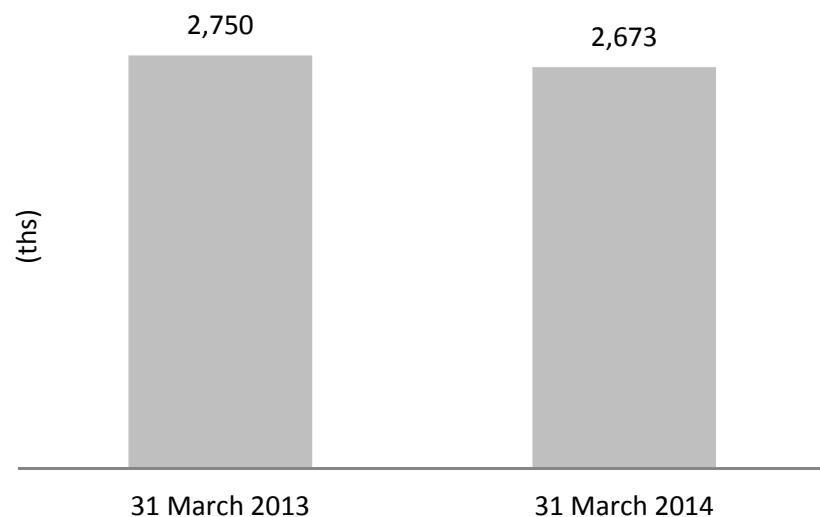
Operating results

Stable subscriber base

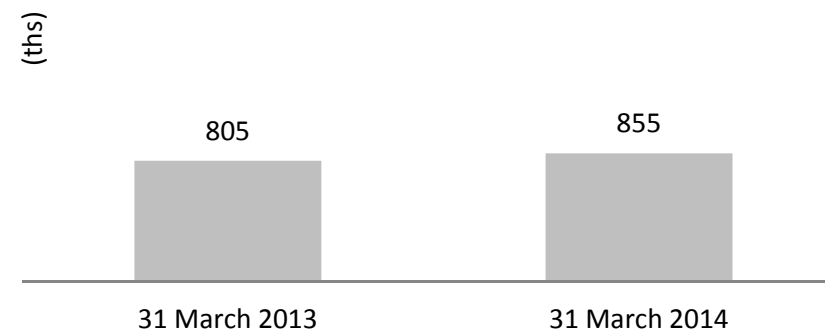


- Our subscriber base amounted to **3.53 million** as at the end of Q1'14
- Almost 20% of our customers have Multiroom service

Subscribers — Family Package



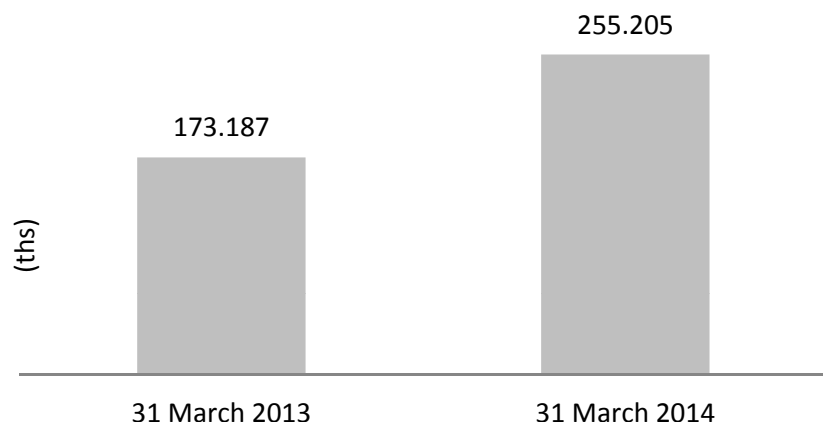
Subscribers — Mini Package



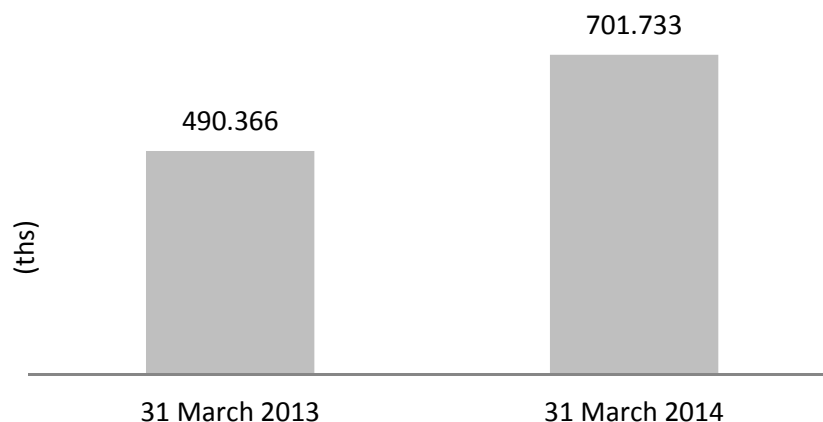
Additional revenue sources from retail business segment



Internet service users



Multiroom service users



Additional revenue sources

- 85% of our customers already use HD set-top boxes
- 264 ths. transactions of VOD/PPV in Q1'14 and 4.8 m since the launch of these services
- In Q1'14 the number of users of IPLA application and website, according to our estimates, increased on average to nearly 4.2 million monthly

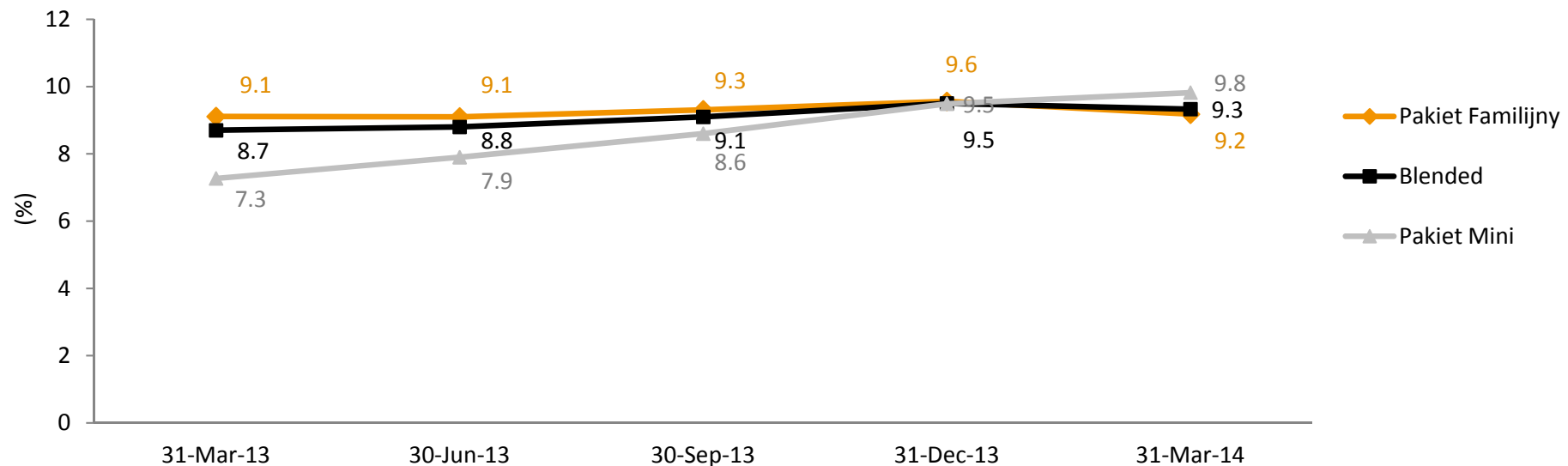
Low churn rate



● Churn rate (blended) of 9.3% in Q1'14 as a 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 this twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than at 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.

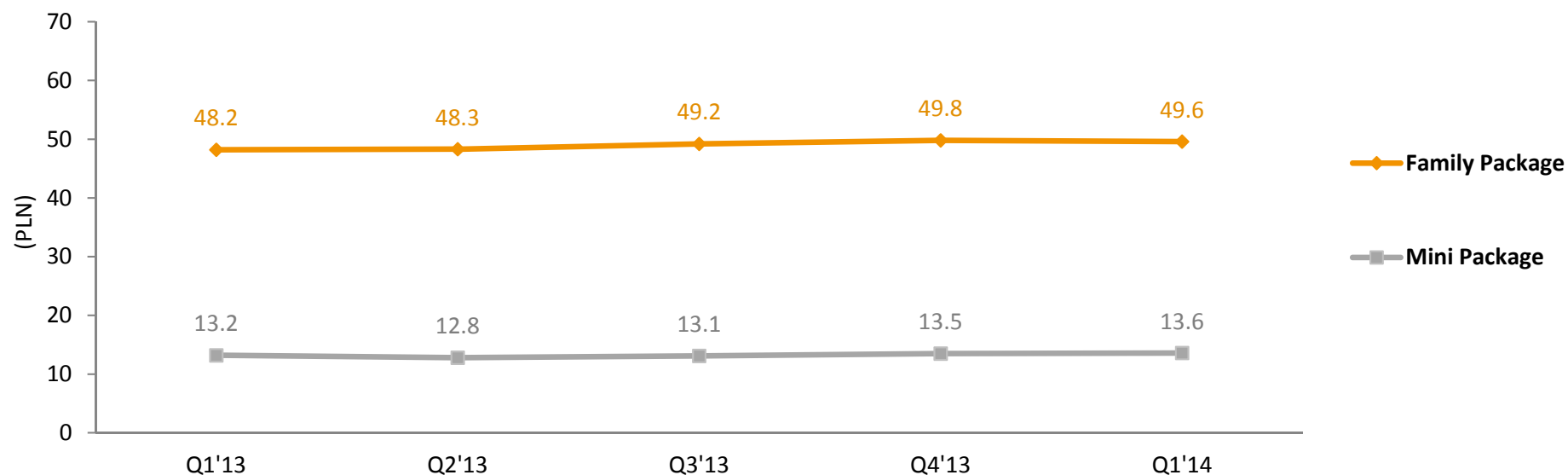
Organic growth in ARPU



Family Package ARPU increased YoY to PLN 49.6 in Q1'14

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

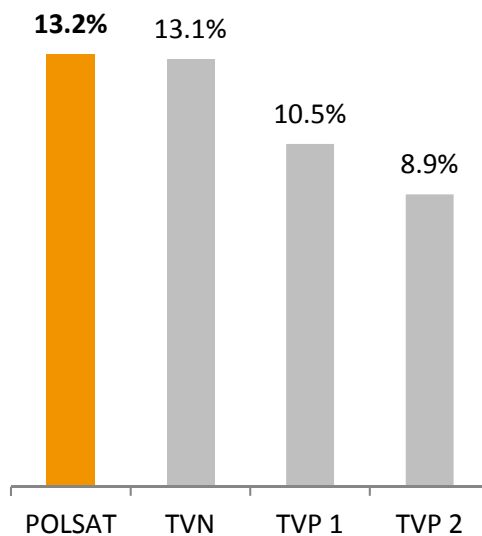
ARPU



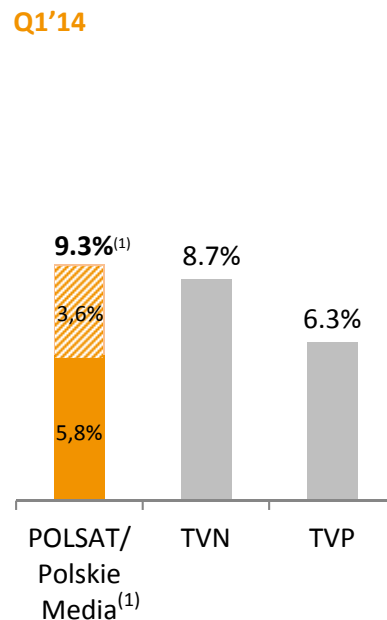
Note: "ARPU" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting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

- Very good audience results of TV Polsat Group in Q1'14 in line with our strategy
 - The main channel audience ranked number one again, despite the ongoing process of market fragmentation and transmission of the winter Olympic Games in Sochi in Q1'14 by TVP group channels
 - Audience share of the other channels of the Group increased by 65% YoY mainly due to new channels TV4 and TV6

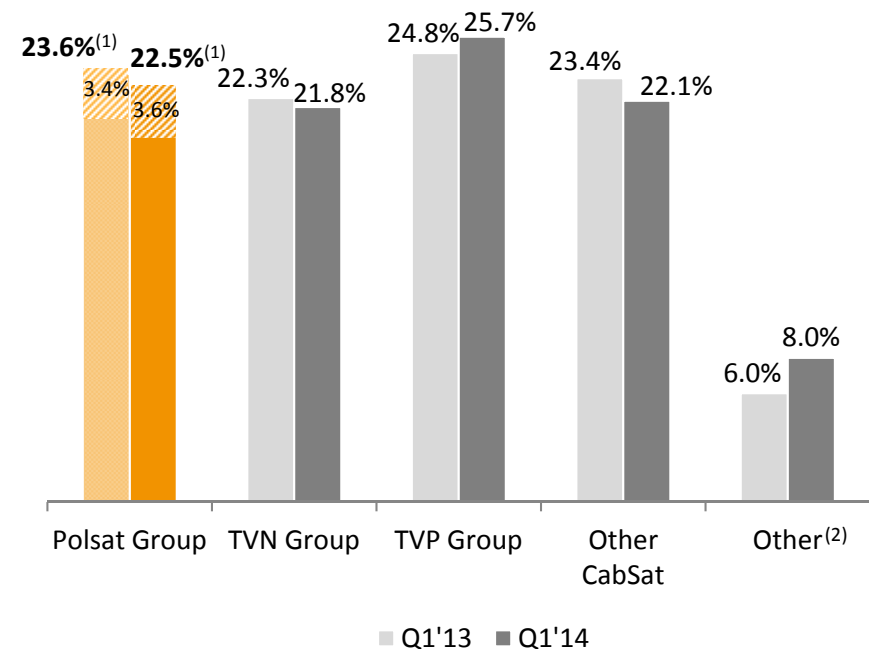
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



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

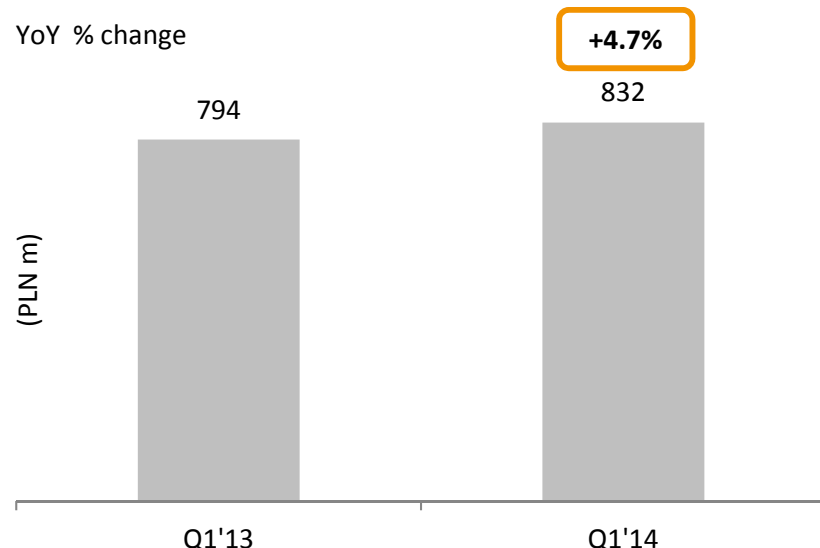
Note (1) Includes audience shares of TV4 and TV6 channels amounting to 3.4% and 3.6% respectively in Q1'13 and Q1'14;

(2) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2, Stopklatka TV; YoY growth of 33%

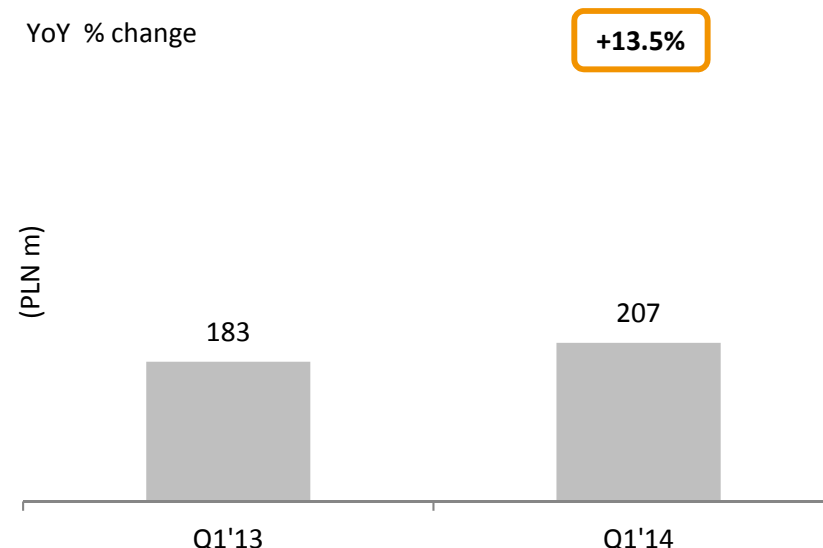
● TV advertising and sponsoring revenue of TV Polsat Group in line with our strategy

- Increase in revenue from advertising and sponsoring as an effect of consolidation of results of TV4 and TV6 channels since September 2013, thanks to which the Group increased its market share in Q1'14 to 24.9%.

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

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Financial review

Financial results of the Group

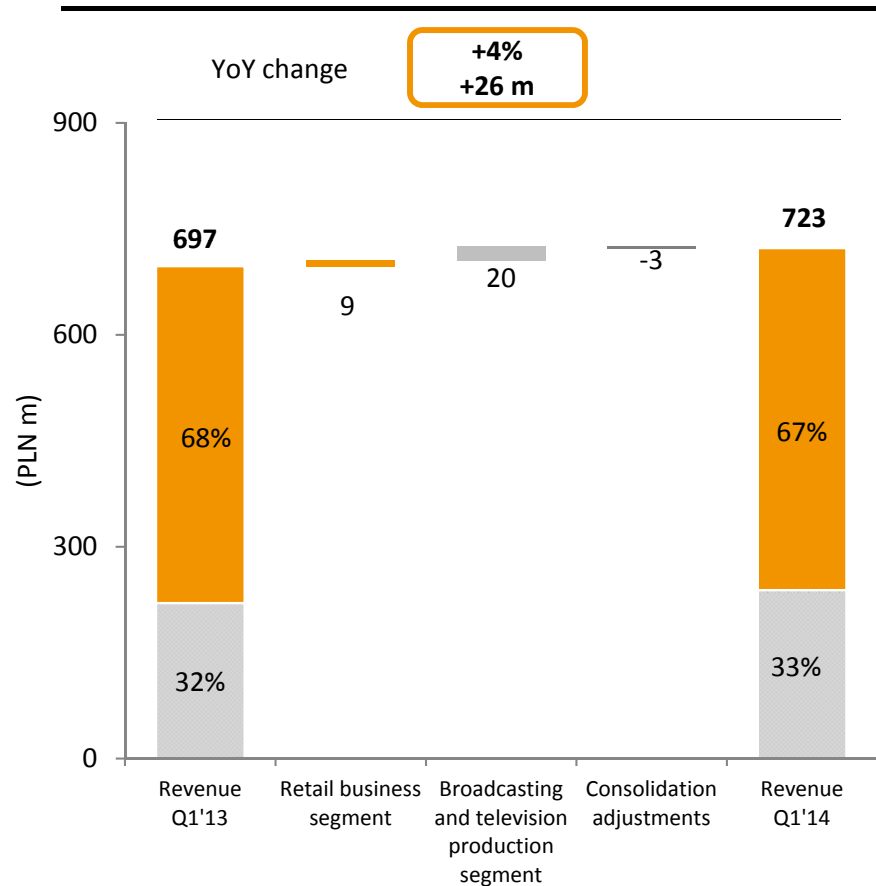


in PLN m	Q1 2014	YoY change		
Revenue	727	↑	4%	<ul style="list-style-type: none"> • Increase in revenue due to organic growth of the retail business segment and consolidation of newly acquired TV4 and TV6 channels
Costs ⁽¹⁾	446	↓	(2%)	<ul style="list-style-type: none"> • Decrease in costs, due to lower costs of: <ul style="list-style-type: none"> – equipment sold – amortization of purchased film licenses – distribution, marketing, customer relation management and retention
EBITDA	281	↑	15%	
EBITDA margin	38.9%	↑	3.7pp	<ul style="list-style-type: none"> • Net profit reflects a one-off cost in the amount of PLN 50m resulting from the settlement of costs of obtaining financing for the purchase of TV Polsat, which was partially offset by a lower negative valuation effect of the Senior Notes and lower debt service costs
Net profit	98	↑	3%	

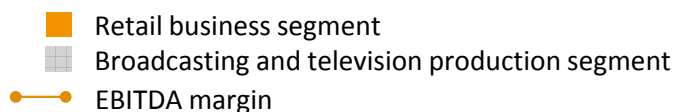
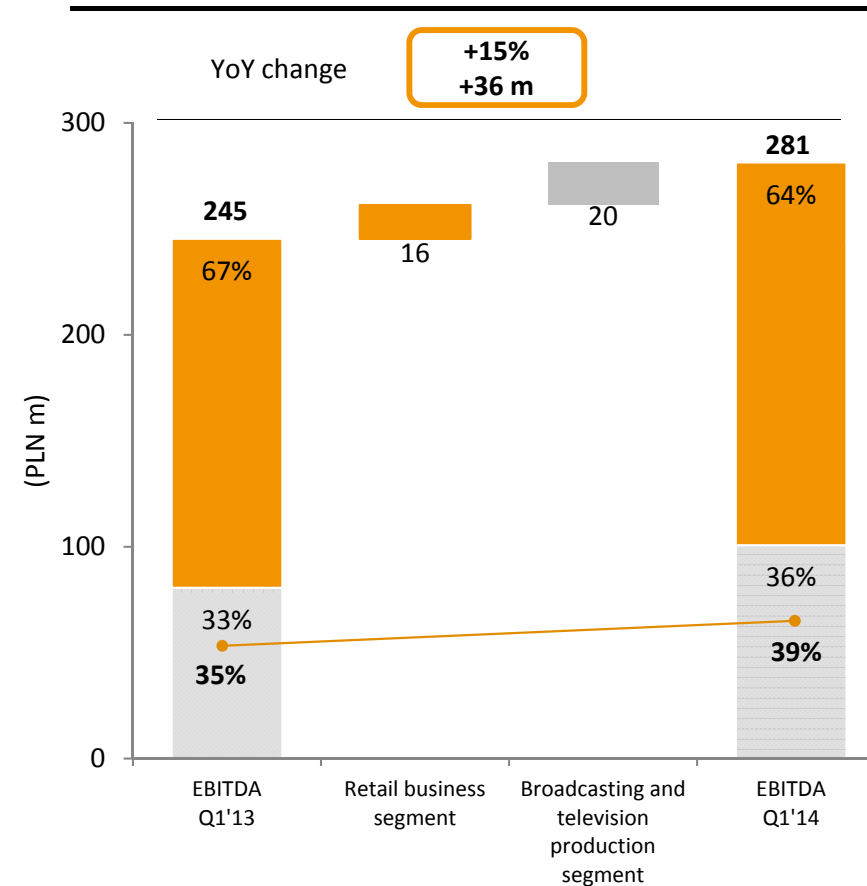
Revenue and EBITDA reconciliation



Revenue⁽¹⁾



EBITDA



Source: Consolidated financial statements for the 3 month period ended 31 March 2014 and internal analysis

Note: (1) Revenue excludes „Other operating income”

Results of the Retail business segment⁽¹⁾



in PLN m	Q1 2014	YoY change		
Revenue	494	↑	2%	Another record high revenue from retail clients due to the steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	313	↓	(2%)	Effective management of cost base directly affects EBITDA
EBITDA	181	↑	10%	Net profit influenced by the settlement of costs of obtaining financing for the purchase of TV Polsat, which was partially offset by a lower negative valuation effect of the Senior Notes and lower debt service costs
EBITDA margin	36.8%	↑	2.6pp	
Net profit	30	—	0%	

Source: Consolidated financial statements for the 3 month period ended 31 March 2014 and internal analysis

Note: (1) Segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Trade Marks, Cyfrowy Polsat Finance, INFO-TV-FM, the companies running IPLA service

(2) Costs exclude depreciation, amortization, impairment and disposal

Results of the Broadcasting and television production segment⁽¹⁾



in PLN m	Q1 2014	YoY change		
Revenue	266	↑	8%	<ul style="list-style-type: none"> Organic growth of TV advertising and sponsorship revenues enhanced by the consolidation of newly acquired TV4 and TV6 channels Increase in revenue while maintaining the cost base at the same level has become the main reason for the increase in EBITDA and net profit
Costs ⁽²⁾	165	—	0%	
EBITDA	101	↑	25%	
EBITDA margin	37.9%	↑	5.0pp	
Net profit	79	↑	28%	

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

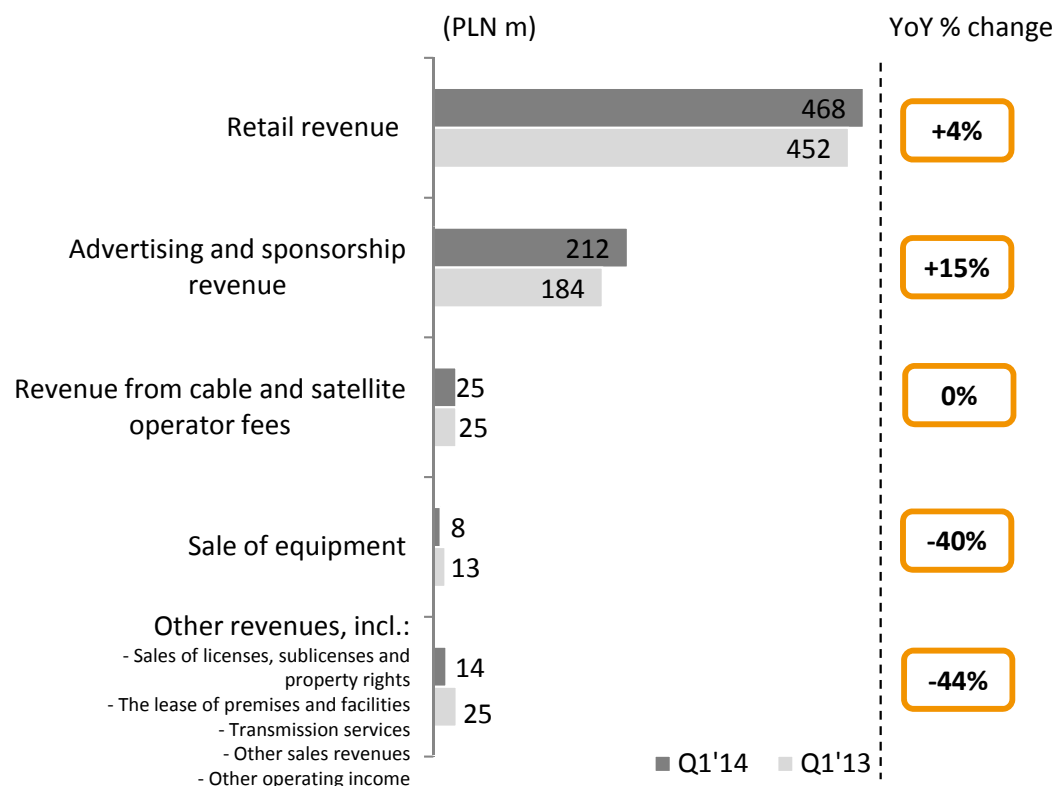
Note: (1) Segment includes Telewizja Polsat Sp. z o.o. , all its subsidiaries and jointly-controlled company

(2) Costs exclude depreciation, amortization, impairment and disposal

Revenue structure

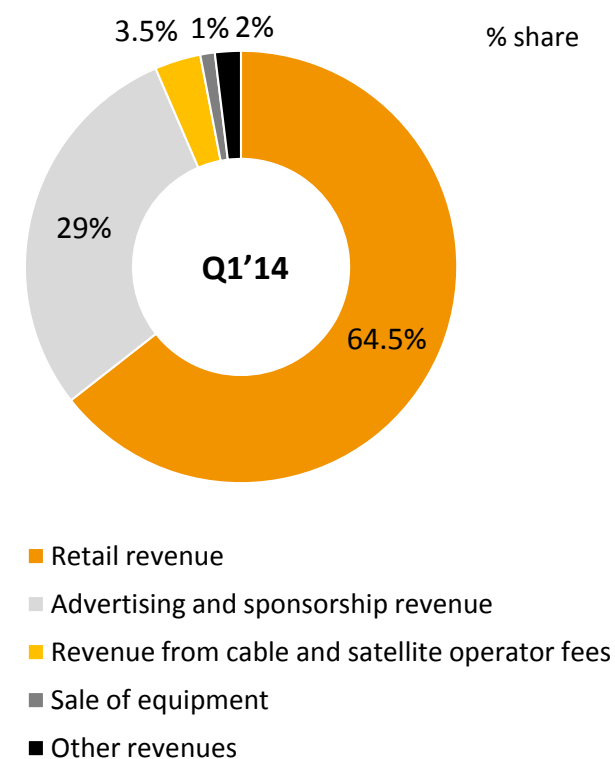


Revenue in Q1'14 vs. Q1'13



Total
Q1'14 PLN 727 m
Q1'13 PLN 699 m | +4%

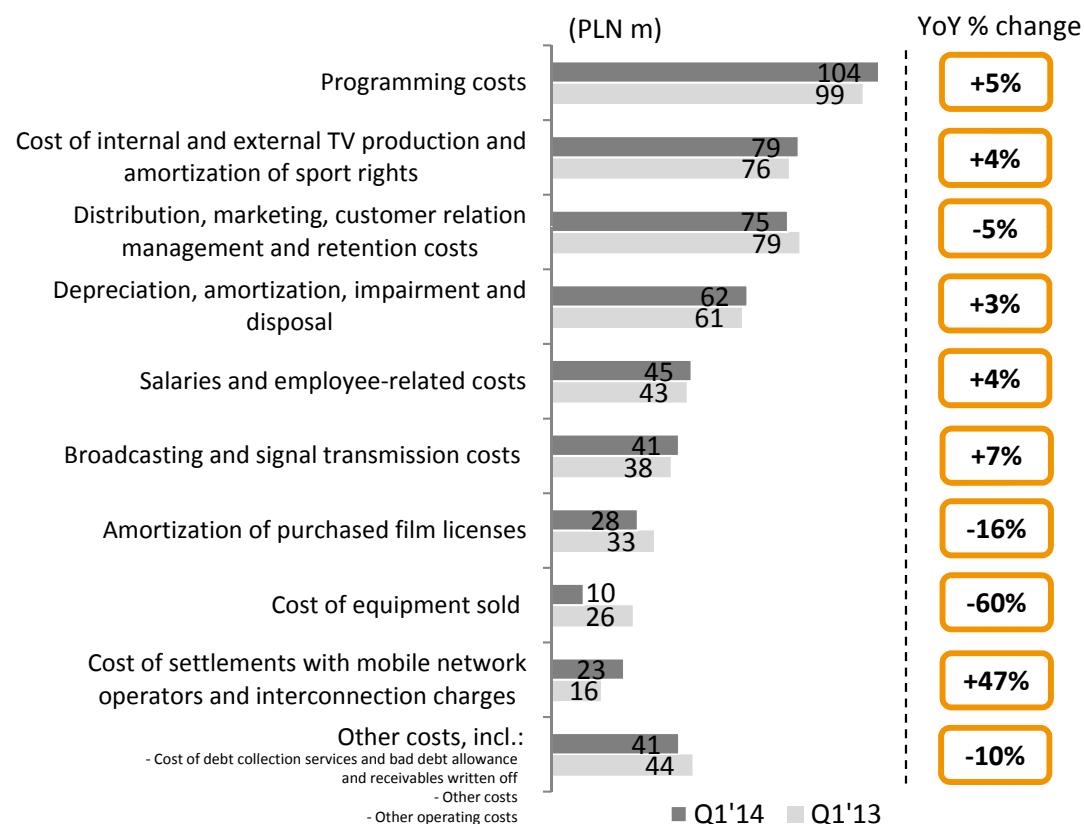
Revenue breakdown



Cost structure

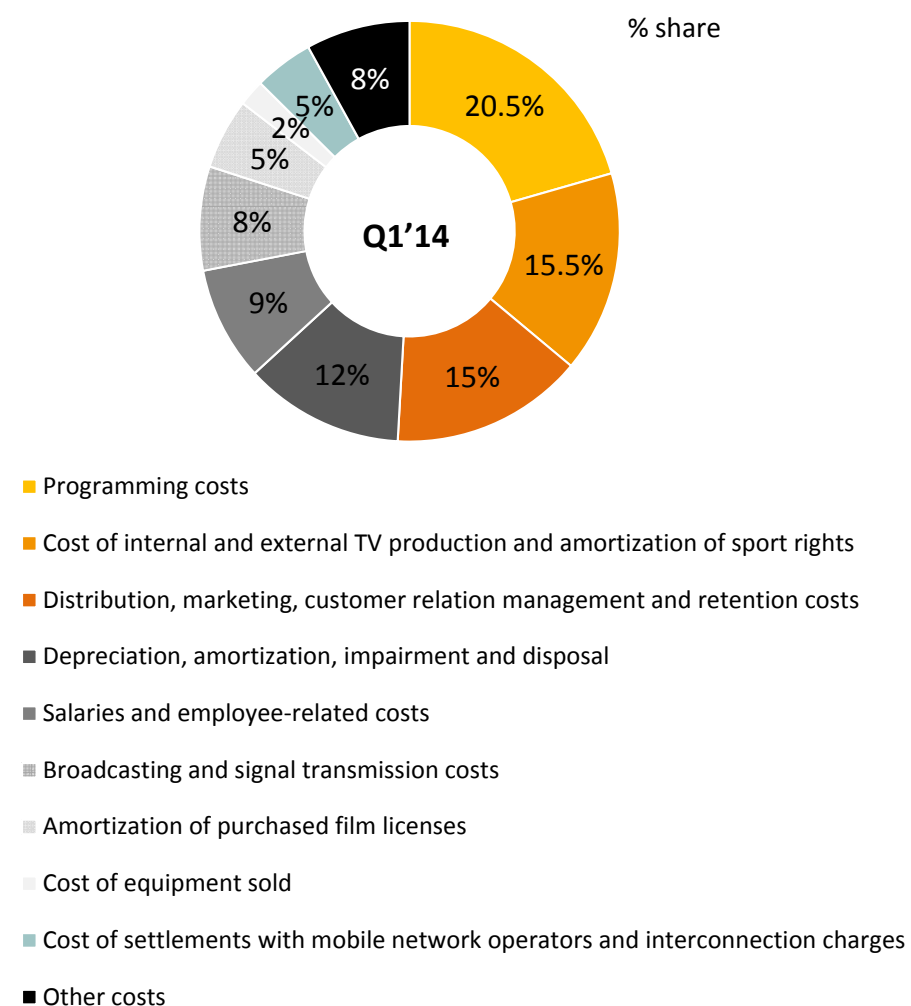


Operating costs in Q1'14 vs. Q1'13

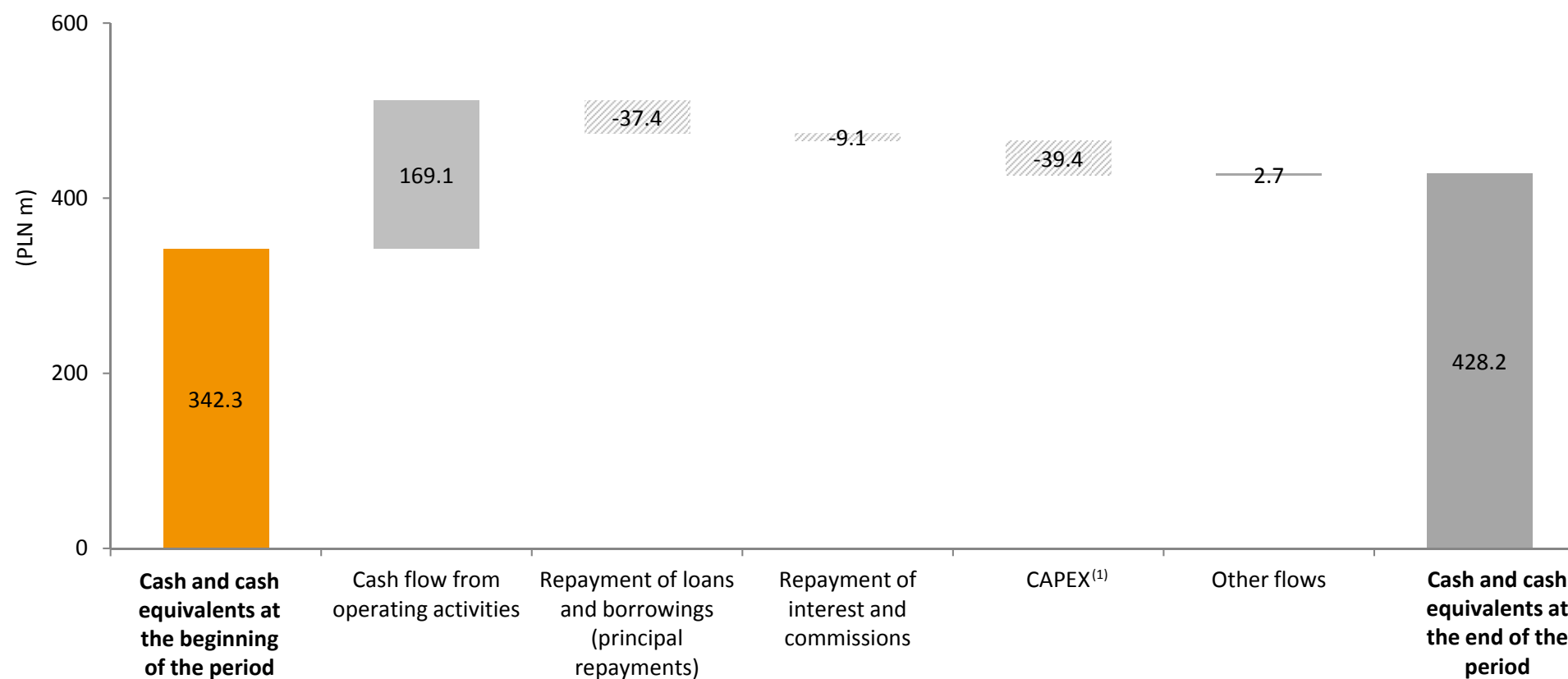


Total
 Q1'14 PLN 508 m
 Q1'13 PLN 515 m | -1%

Operating costs breakdown



Net cash flow, cash position and debt – Q1'14



Source: Consolidated financial statements for the 3 month period ended 31 March 2014 and internal analysis

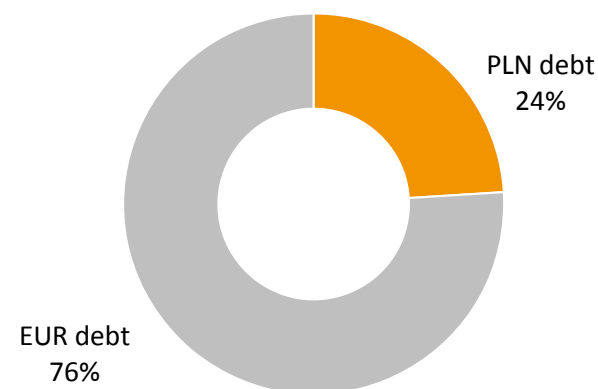
Note: (1) Excluding expenditures on set-top-boxes, modems and routers leased to subscribers

Financial indebtedness



in PLN m	May 31, 2014	Maturity
Senior facility ⁽¹⁾	477	2015
Senior Notes ⁽¹⁾	1,497	2018
Cash and equivalents	428	-
Net Debt	1,546	
12M EBITDA	1,082	
Net Debt / 12M EBITDA	1.43	

Currency structure of debt



Company's ratings

Standard & Poor's	BB, stable outlook
Moody's	Ba3, stable outlook

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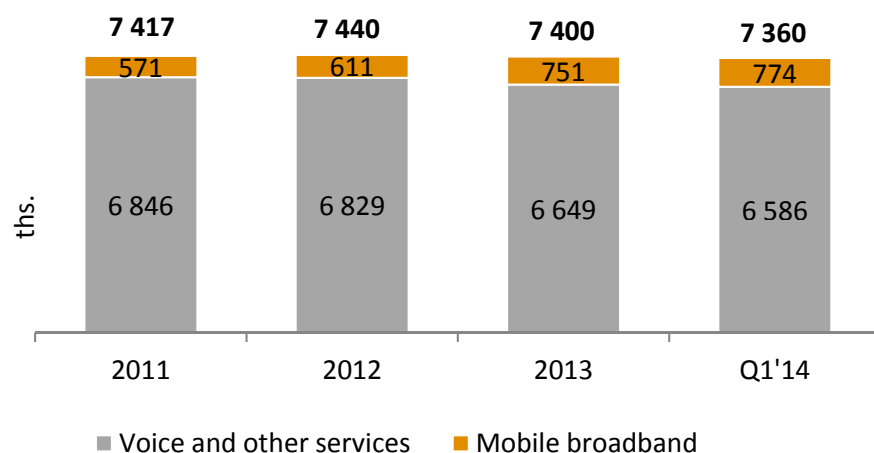
Polkomtel – Q1'14 results

Stable, attractive customer base

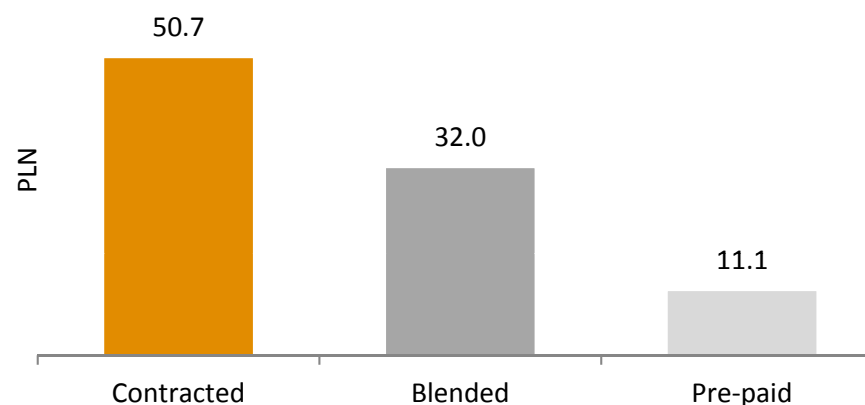


- Total customer base at the end of Q1'14 amounted to 13.9 million
- Steady growth of mobile Internet customers, translating into a larger stream of revenue from data services

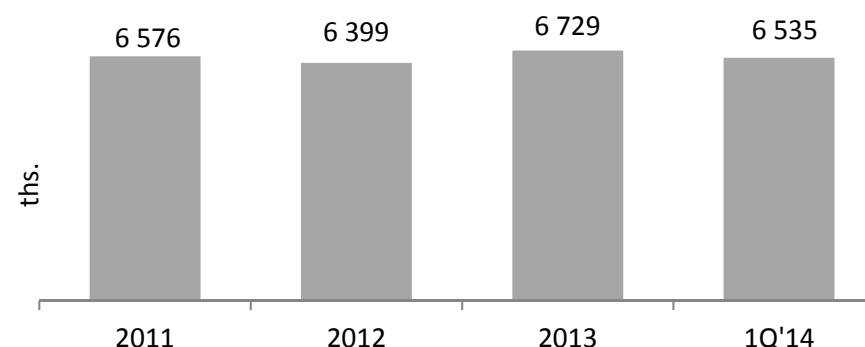
Contracted subscriber base



ARPU Q1'14 (outbound and inbound)



Pre-paid customer base

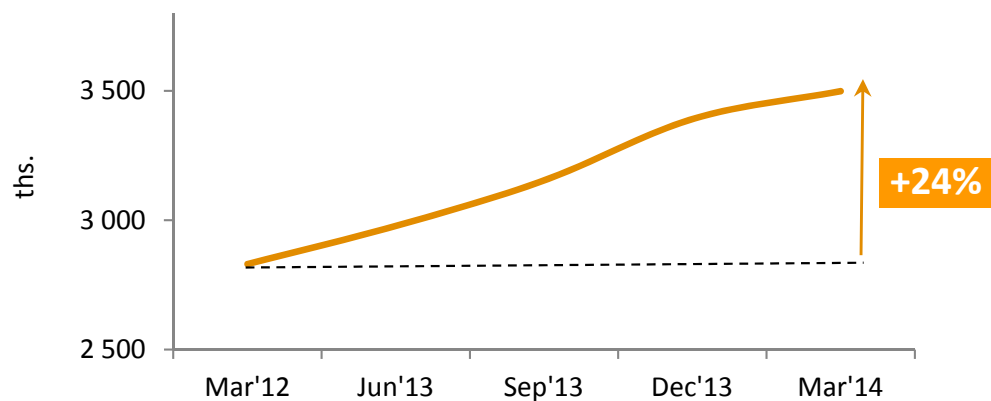


Growth in sales of data transfer services

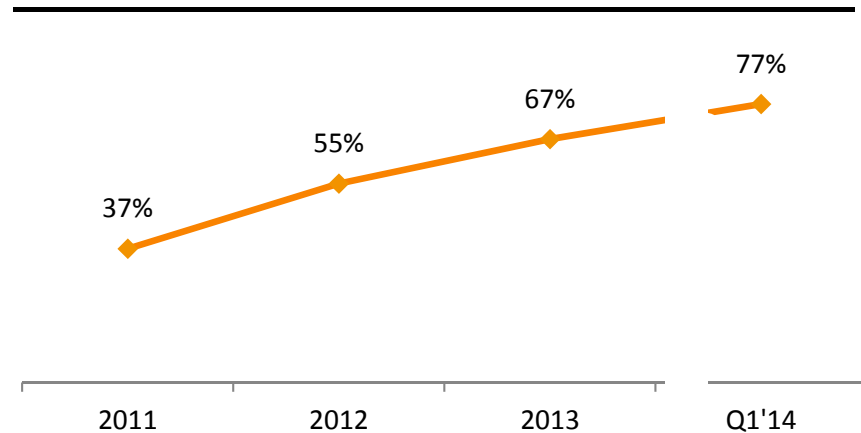


- Increasing the quality and availability of data transfer services (including LTE) triggers the dynamic growth of the number of devices and active users, which reached the level of 3.5 million in March 2014

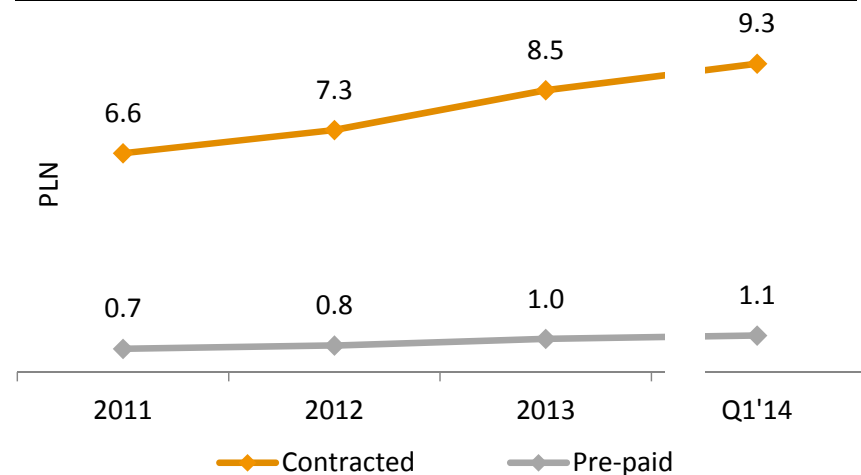
Active data user development ⁽¹⁾



Smartphones as % of handsets sales



ARPU from data transmission (outbound)⁽²⁾



Source: Polkomtel

Note: (1) Includes contracted mobile broadband subscribers as well as other subscribers who transferred at least 1MB within the specified month

(2) Retail ARPU from data services relates to total revenue from these services, divided by the total number of customers, both contracted and pre-paid

Financial results

Metelem (incl. Polkomtel)



in PLN m	Q1 2014	YoY change
Revenue ⁽¹⁾	↓ 1,603	(4%)
- Retail	1,311	(4%)
- Interconnect and wholesale	292	(6%)
Costs ⁽²⁾	↓ 874	(9%)
EBITDA ⁽³⁾	↑ 729	2%
EBITDA margin	↑ 45.5%	2.8 pp
EBIT	↑ 290	3%
Net profit	↑ 15	N/A

Source: Metelem (incl. Polkomtel); Q1 2014 unaudited



Note: (1) Revenue excludes „Other operating income”

(2) Costs exclude depreciation, amortization, impairment and disposal, include the net result of other operating income / costs

(3) We define EBITDA as net income before tax burdens, financial expenses, financial income, shares in profit of associates, profit from the elimination of investments in associates, depreciation and amortization, as well as the losses and gains of impairment loss and the costs of disposal of property, plant and equipment

Financial results 31 March 2014 pro-forma (LTM)



PLN billion		 ⁽³⁾	Combined ⁽⁴⁾
Revenue⁽¹⁾	2.9	6.7	9.6
EBITDA⁽²⁾	1,1	2,9	4,0
EBITDA margin	36.9%	43.0%	41.1%
Operating Cash Flow	0.8	2.7	3.6
Net Debt	1.5	9.8	11.3
Net Debt / LTM EBITDA	1.4x	3.4x	2.9x

Source: pro forma, 31 March 2014 (LTM) Cyfrowy Polsat, Metelem, consolidated financial statements and internal analysis, unaudited, rounding

Note: (1) Revenue excludes „Other operating income”

(2) We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, net book value of disposed property, plant and equipment, interest income, finance expenses, foreign exchange gains and losses, income taxes and share of results of jointly controlled entities. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets as well as net book value of disposed property, plant and equipment

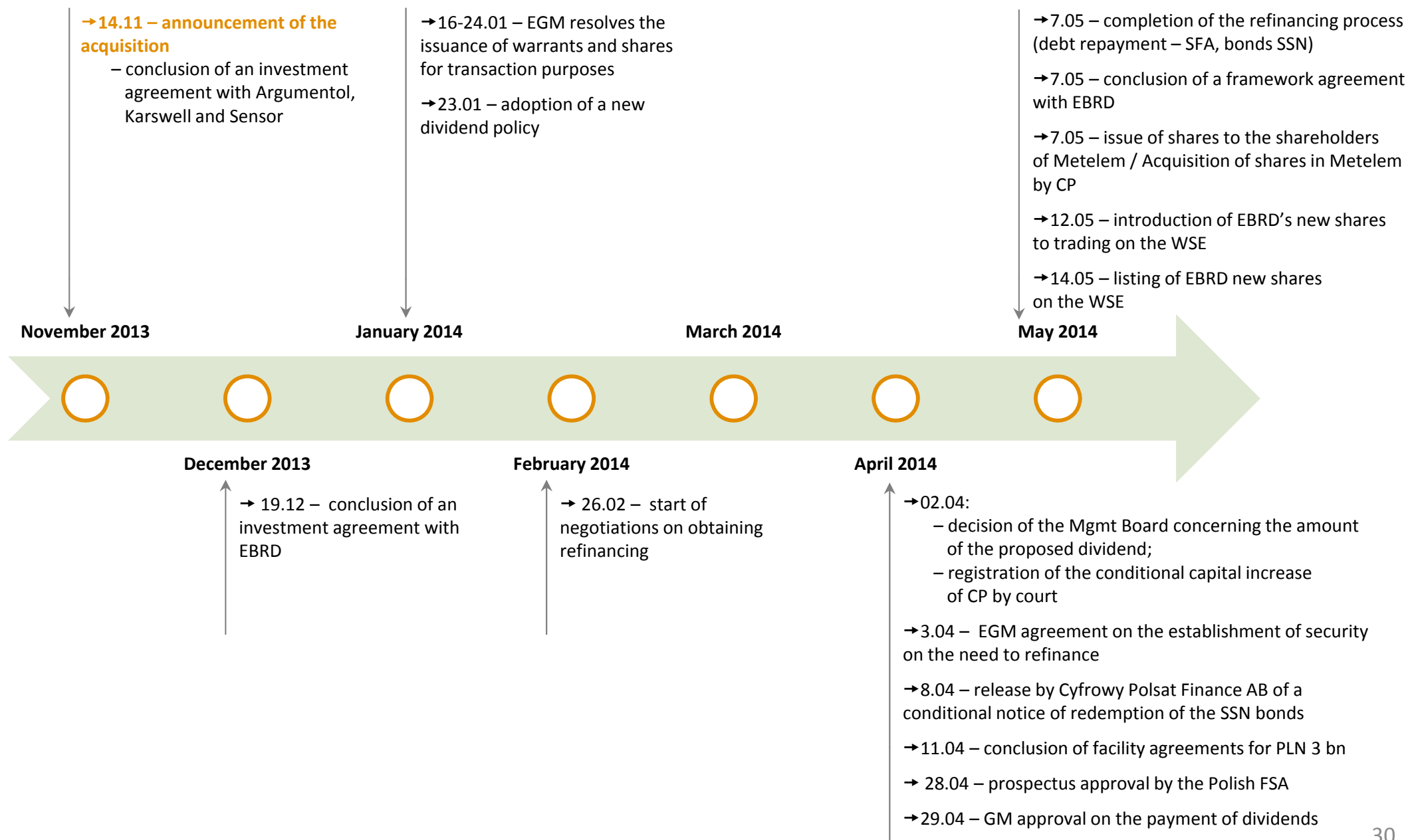
(3) Consolidated data of Metelem for pro-forma consolidation purposes have been adapted to the presentation of data applied by Group Cyfrowy Polsat S.A.

(4) Rounding

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Summary of the acquisition of Metelem

Summary of the transaction process



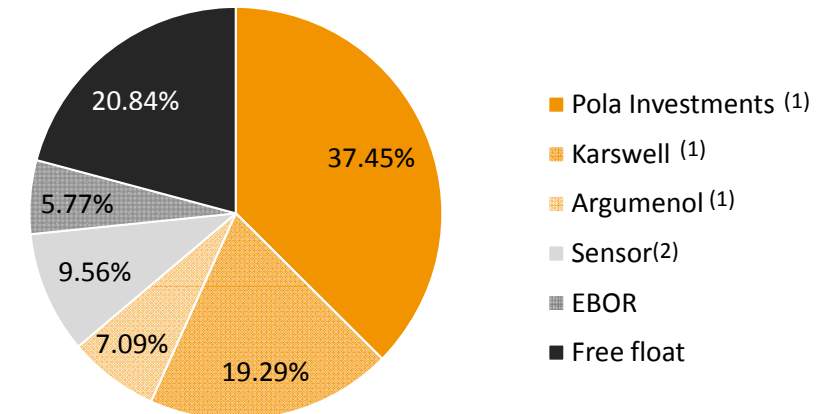
- New facility agreements executed on 11 April 2014, provides for a term facility loan up to the maximum amount PLN 2.5 b and multicurrency revolving facility loan up to a maximum amount of the equivalent of PLN 500 m
- Proceeds from the new financing were used to repay the total debt under the senior facilities agreement of 2011 and the Indenture relating to Senior Secured Notes issued by Cyfrowy Polsat Finance AB
- The remaining amount, together with the Company's own funds, will be used to refinance debt under the debt securities *pay-in-kind* (PIK notes) issued by Eileme 1 AB (publ) (subsidiary of Metelem Holding Company Limited)
- The term facility will be repaid in quarterly installments of variable value, starting on 30 June 2014, with the final debt repayment date being 11 April 2019. The final date for the repayment of the full amount of the Revolving Facility Loan will also be 11 April 2019
- Interest rate on the new loan is dependent on the ratio of total debt - the lower the net debt /EBITDA ratio, the lower the margin

Shareholding structure after the finalization of the acquisition

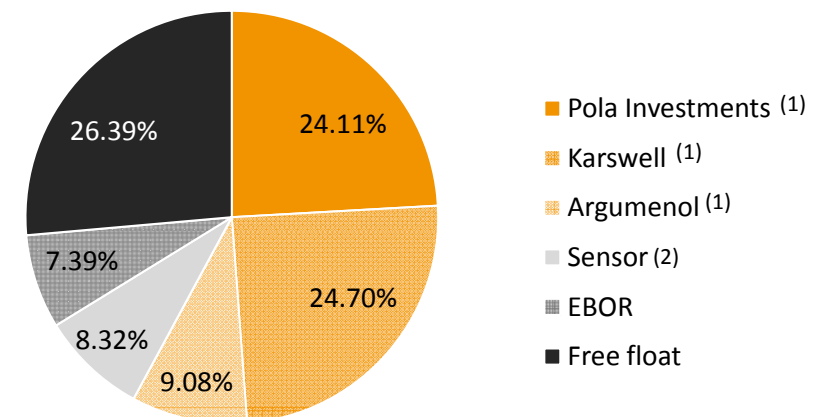


- Approval of the prospectus by Polish FSA on 28 April 2014
- Signing of framework agreement with EBRD
 - The agreement sets out certain obligations of the Company and its subsidiaries in accordance with the requirements applied by the EBRD, in particular in the field of environmental protection
- Issuance of warrants and the conversion of 291,193,180 shares (incl. 47,260,690 Series I shares and 243,932,490 Series J shares)
- 14 May 2014 – first day of listing of the EBRD's shares on the WSE
- Series J Shares will be admitted to trading on the WSE not earlier than in Q2 2015

Expected votes structure



Expected capital structure



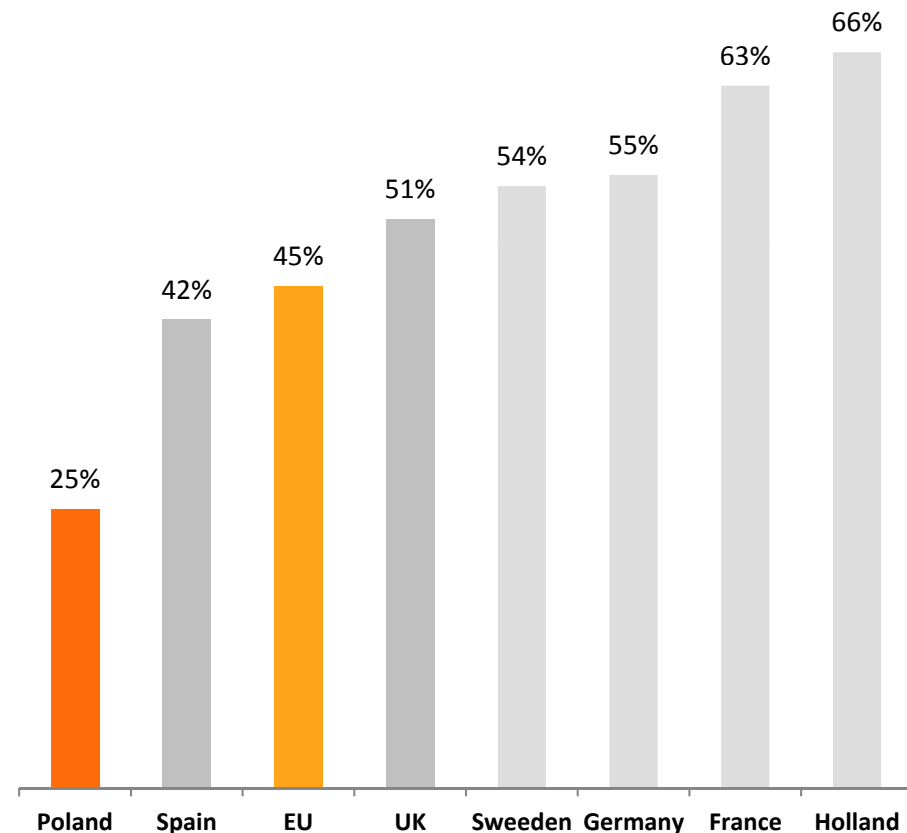
Note: (1) company indirectly controlled Mr. Zygmunt Solorz-Żak
(2) company indirectly controlled Mr. Heronim Ruta

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Implementation of our strategy

- Convergence of media and telecommunications is a fact and is already happening all over the world
- Existing market trends allow operators to combine basic services (TV, Internet, Telephone)
- Today, operators offer much more (VAS, OTT, etc.)
- Polish market of multi-play services has enormous potential – to catch up the rest of Europe

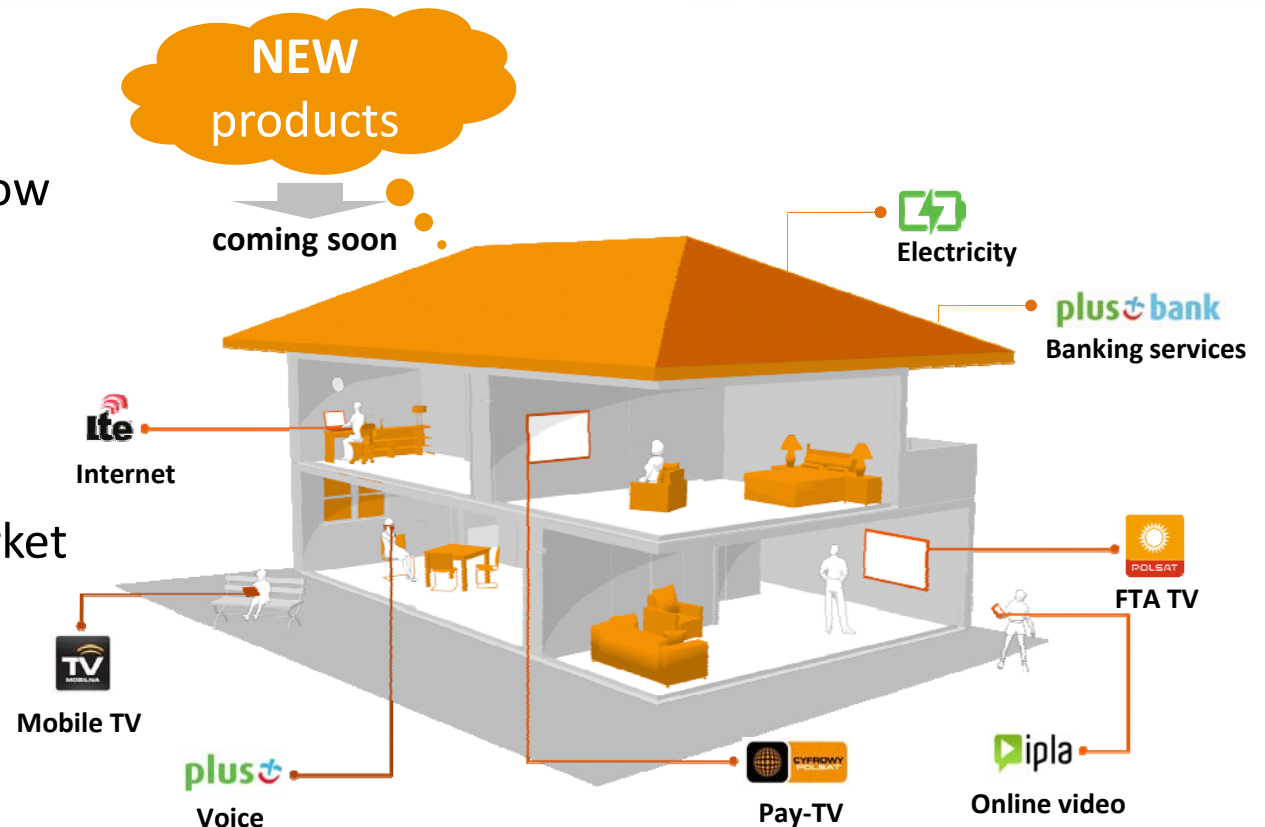
Multi-play penetration in Europe



Our opportunities and market challenges



- We have the largest customer base in Poland at a relatively low overlap – which gives huge potential for cross-selling
- We have an attractive and unique portfolio of products and services on the Polish market
- Our biggest market challenge is an effective growth of our customer base loyalty and consistent development of revenue per client



To address this challenges we have launched a product called **smartDOM**

What is smartDOM?



- Saving by adding – every additional product at a lower price
- Extension of the offer in April to include new products:

- PlusBank



- Sale of electricity



Oszczędzanie
przez dodawanie
240zł oszczędności
na każdej dodanej
usłudze

Polecamy!
Janusz Paweł Mielniczek



Unique offer for existing customers

An advertisement for the smartDOM program. It features a man and a woman holding red signs. The man's sign says "Internet LTE -50%". The woman's sign says "Telewizja satelitarna 99 kanałów nawet za 1 zł". At the top left are the "plus" and "CYFROWY POLSAT" logos. At the bottom left is a dark grey box with white text: "Tylko dla naszych Klientów! Drugi produkt za połówkę, trzeci za złotówkę. Spiesz się!". At the bottom right is the "smartDOM" logo, which consists of a red house icon and the text "smartDOM".

plus CYFROWY POLSAT

Internet LTE
-50%

Telewizja satelitarna
99 kanałów
nawet za 1 zł

Tylko dla naszych Klientów!
Drugi produkt za połówkę,
trzeci za złotówkę.
Spiesz się!

smartDOM

- Another phase of the smartDOM program
- The offer is addressed directly to existing customers of Cyfrowy Polsat and Plus having only one product
- Simple and flexible mechanism that gives customers clear benefits from the purchase of **additional** services of the group
 - second product with **50% discount**
 - the third product for **PLN 1**

Loyalty program - „Paszport Korzyści”



- Loyalty program dedicated to all customers of Cyfrowy Polsat, Plus and Plus Bank
- Wide range of benefits
 - Special offers provided by program partners (i.a. Axa Assistance, Eurocash, Orlen, Superpolisa.pl, Telepizza)
 - lead back – after receiving the "Benefit Card" the user can choose from the partner's offers, and collects funds with every transaction, which can be used for discounts on all services of the program holders
 - attractive entertainment package - special rewards, the opportunity to participate in contests, raffles and tickets for volleyball, music festivals, etc.
- The program will be developed in the near future by introducing offers of new partners



Reorganization of the organizational structure



**Integration of key
business areas**



Completed

Dominik Libicki

*President of the Management Board of Cyfrowy Polsat
and Vice-President of the Management Board of Polkomtel⁽¹⁾*



Note: (1) Starting from 15 May 2014 Dominik Libicki is the member of Polkomtel's Management Board. Pursuant to the resolution of the Supervisory Board, upon the registration of the changes to the Company's Articles of Association Dominik Libicki will become the Vice-President of the Management Board

Medium-term operational goals



Joint offerings

Completed

**Joint
Call Center**

Project in progress
Expected finalization in 2016

**IT systems
integration**

Project in progress
Expected finalization in 2016

**One sales
network**

Project in progress
Expected finalization in 2016

GOAL

Implementation of the strategy of building customer value and increasing its loyalty through higher quality of services

Cyfrowy Polsat Group's objectives in H2'14



- Consolidation of results of the new group starting from 7 May 2014



- Change in the results presentation and reporting

- separate communication regarding the new reporting standards before Q2'14 results publication
- first report of the new group on 28 August, 2014

- Continuation of the integration process of Cyfrowy Polsat and Polkomtel

- Further implementation of joint sales initiatives and new product development of the group

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Q&A

8

Appendix

Customers statistics		2011	2012	2013	Q1'13	Q1'14
Total number of reported subscribers		13 993.3	13 838.6	14 129.1	13 857.3	13 895.5
Contract	tys.	7 417.0	7 439.5	7 400.1	7 432.0	7 360.4
out of which Mobile Broadband		570.9	611.0	751.4	637.4	773.9
Prepaid		6 576.3	6 399.1	6 729.1	6 425.3	6 535.1
Monthly average churn						
Contract	%	1.1	1.1	1.2	1.2	1.2
Prepaid		4.1	4.5	4.2	4.4	4.5
Total ARPU (outbound and inbound)		40.7	39.5	35.0	35.9	32.0
Contract	PLN	62.6	60.3	54.6	55.5	50.7
Prepaid		16.0	15.5	12.9	13.0	11.1
Total ARPU (outbound)		33.8	33.1	31.2	31.4	28.7
Contract	PLN	52.6	51.1	49.0	49.1	46.0
Prepaid		12.7	12.4	11.0	10.9	9.6
ARPU from data transmission (outbound)						
Contract	PLN	6.6	7.3	8.5	7.9	9.3
Prepaid		0.7	0.8	1.0	0.9	1.1

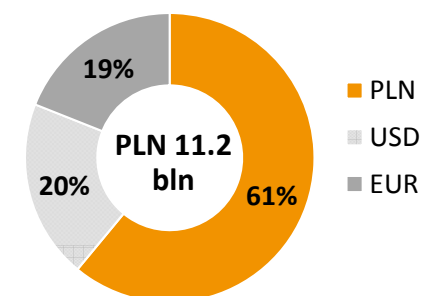
Debt structure (Metelem)



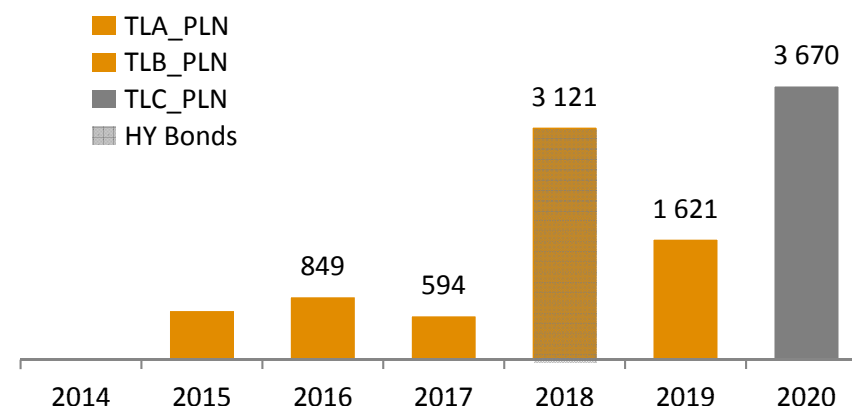
Debt structure, as at March 31, 2014			
	Total (PLNm)	%	Interest
Cash	-1 467		
Term Loan A (PLN)	2 099	19%	WIBOR 3M + margin
Term Loan B (PLN)	3 101	28%	WIBOR 3M + margin
Term Loan C (PLN)	1 609	14%	WIBOR 3M + margin
Total senior secured debt⁽¹⁾	6 809		
HY notes (EUR ⁽²⁾)	2 185	19%	11.75%
HY notes (USD ⁽³⁾)	1 486	13%	11.625%
Total cash pay debt⁽¹⁾	10 480		
PIK notes (USD ⁽³⁾)	762	7%	14.25%
Total net debt⁽¹⁾	9 774		
RCF (PLN, currently undrawn)	300		WIBOR 3M + margin

Ratings and currency structure⁽¹⁾

	Moody's	S&P
corporate rating	Ba3	BB
HY notes	B2	B+
PIK notes	B3	B+



Debt maturity profile (PLNm, excl. PIK) ⁽⁴⁾



Source: Metelem (incl. Polkomtel)

Note: (1) Balance sheet values excluding financial lease and derivative liabilities;

(2) EUR/PLN FX 4.1713 rate as at March 31, 2013; (3) USD/PLN FX 3.0344 as at March 31, 2014; (4) Nominal values

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