



## Results for Q2'11

31 August 2011

# Disclaimer



This presentation includes 'forward-looking statements'. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements speak only as at the date of this presentation. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial position, business strategy, plans and objectives of management for future operations may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if our financial position, business strategy, plans and objectives of management for future operations are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. We do not undertake any obligation to review or to confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

**1**

# Introduction

# Important events



- Completion of acquisition of Telewizja Polsat
- Issue of 7.125% Senior Secured Notes
- Prolonging of agreement with TVN concerning distribution of TVN Group channels on Cyfrowy Polsat platform
- Conclusion of agreement with ITI concerning distribution of Telewizja Polsat channels on „n” platform
- Conclusion of license agreement with Sony Pictures Entertainment
- Purchase of rights to broadcast T-Mobile Ekstraklasa
- Consumer tests of LTE Internet

# Summary of operational results



- Number of DTH subscribers increased by 209 ths. (YoY) to 3,472,757
- Number of MVNO users increased by 89 ths. (YoY) to 130 ths. (98% in post-paid)
- Number of Internet users increased by 32 ths. (YoY) to 43 ths.
- Family Package ARPU reached the level of PLN 43.2 and Mini Package ARPU of PLN 11.6 in Q2'11 respectively
- Stable and low churn rate of 9.1%

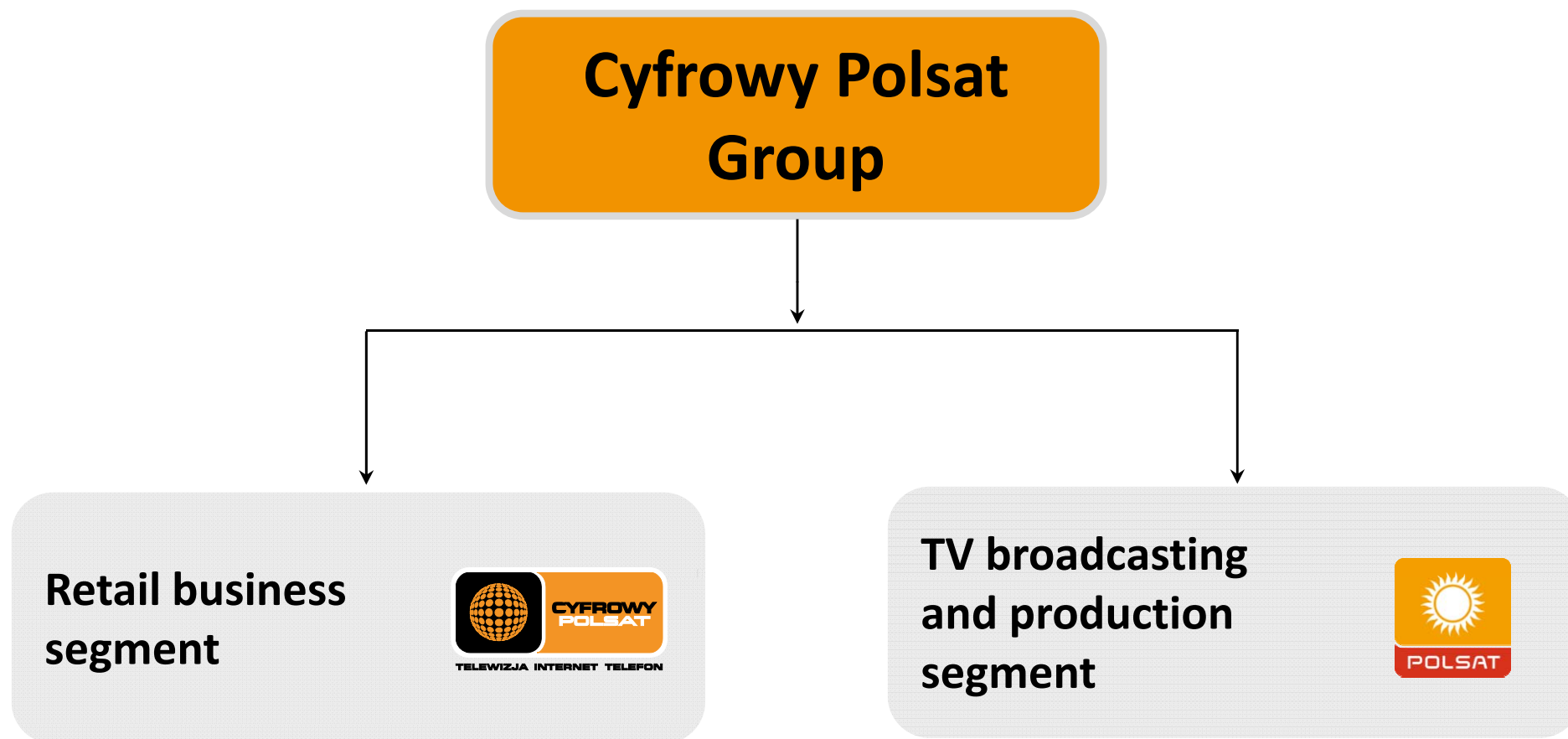


- Audience share increased by 12.9% (YoY) to 21.2% in Q2'11
- Our share in TV advertising market in Q2'11 at the level of 23%

**2**

## Operational results

# Changes in the Group's reporting structure



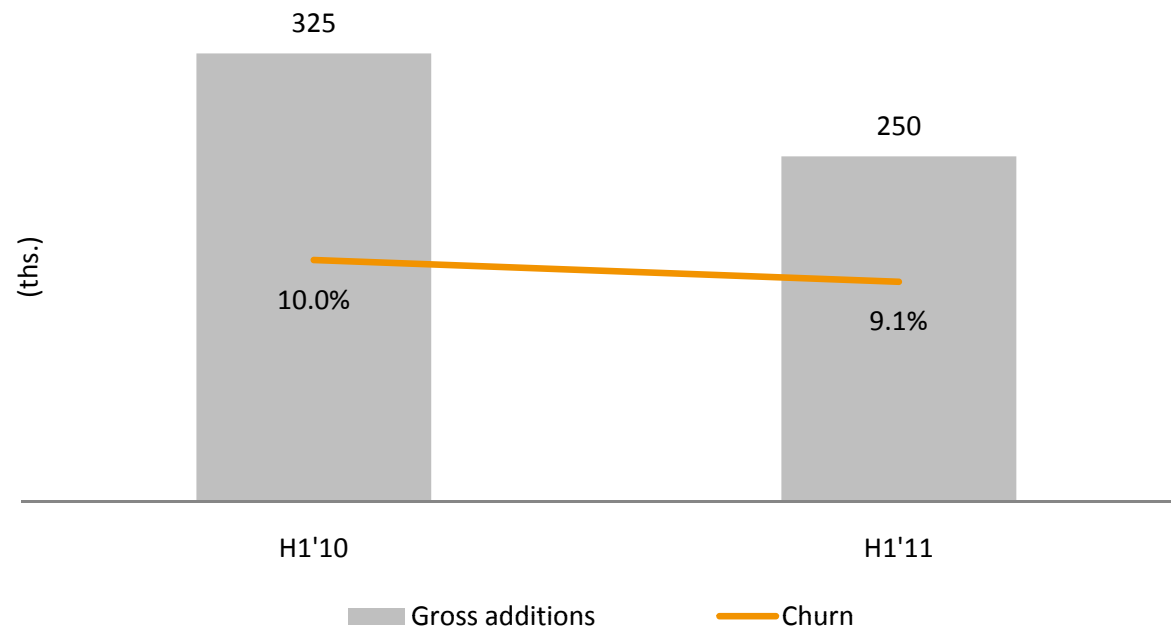
# Retail business segment

High sales and stabile churn



- 250 ths. gross additions in H1'11
- Decreasing churn in H1'11 due to:
  - High level of consumer satisfaction
  - Efficient retention programs

## Gross additions and churn rate



Note: We define “churn rate” as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-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 12-month period.



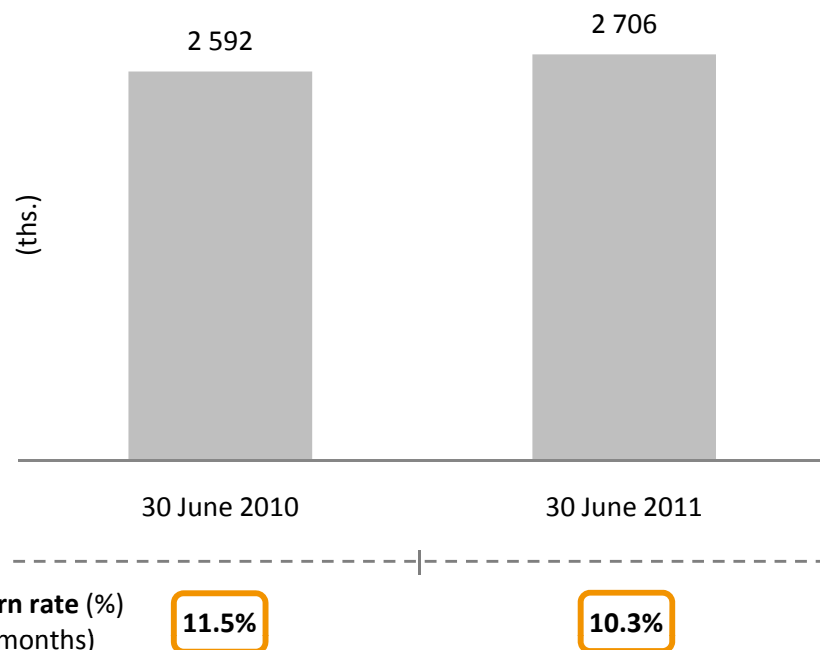
# Retail business segment

## Increase in subscriber base

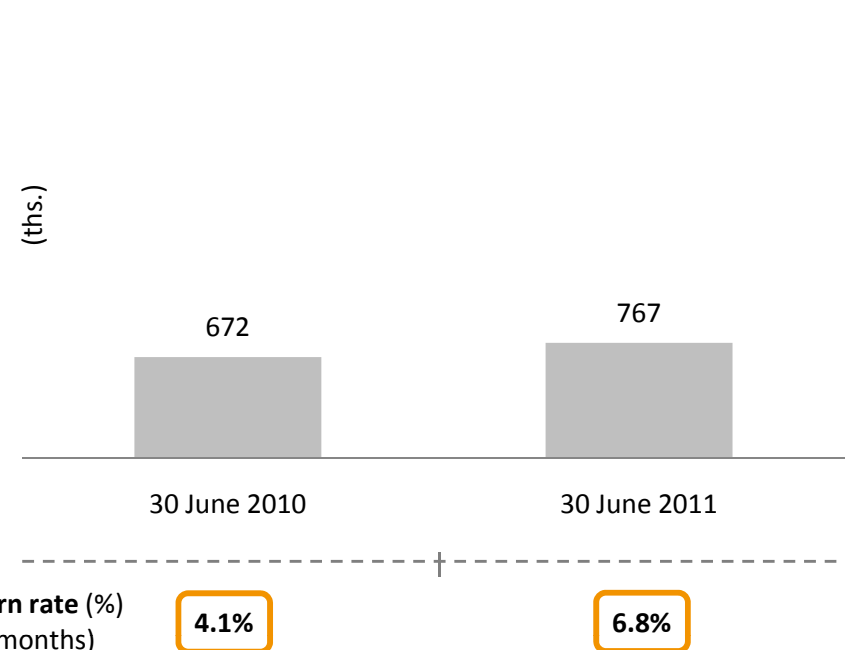


- On annual basis our subscriber base increased by 209 ths. to **3.47 million** as of 30 June 2011

### Subscribers — Family/Premium



### Subscribers — Mini Package



Note: We define “churn rate” as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-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 12-month period.

# Retail business segment

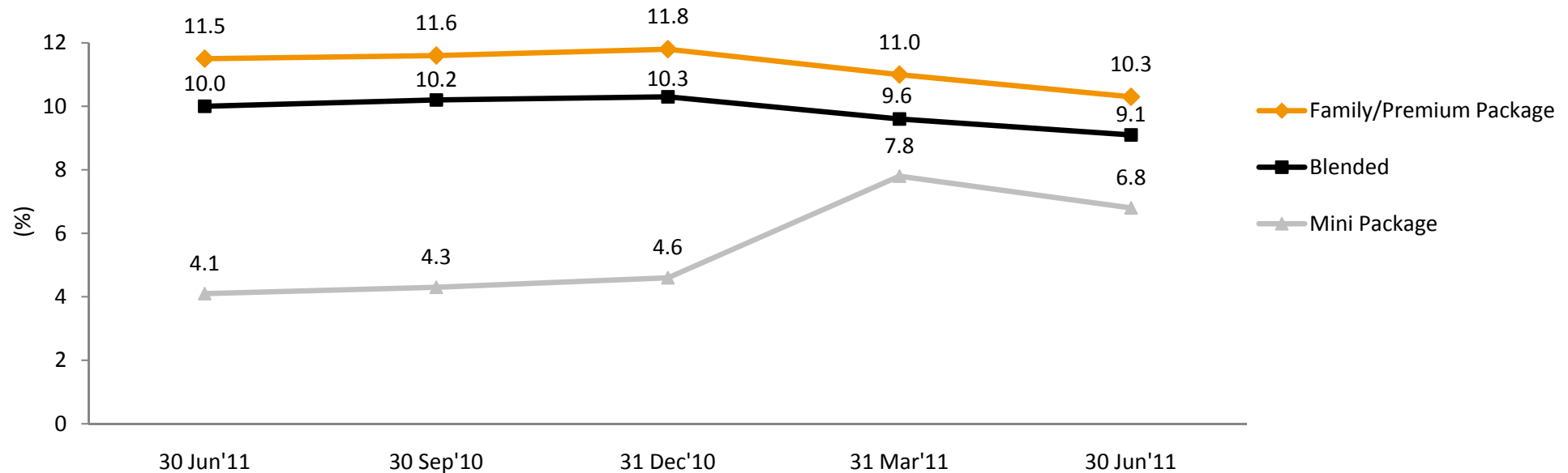
Low churn resulting from high consumer satisfaction



## Churn rate (blended) down to 9.1%

- Family Package churn rate decreased to 10.3%
- Mini Package churn rate decreased to 6.8%

### Churn (12 months)



Note: We define "churn rate" as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-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 12-month period.

# Retail business segment

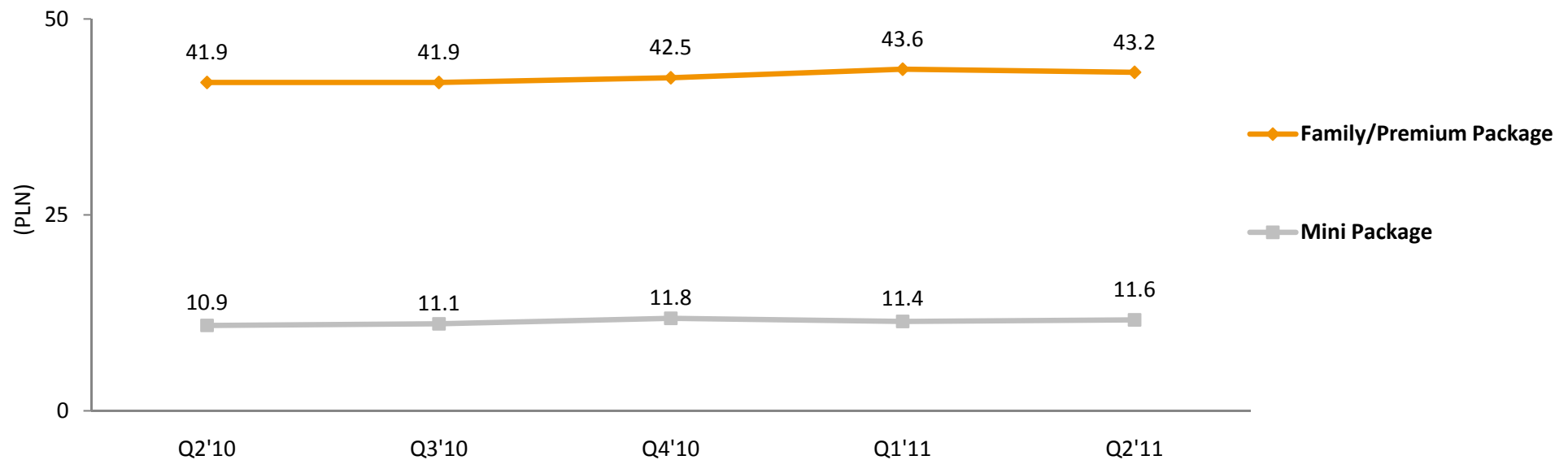
## Stable increase in ARPU



Family Package ARPU amounted to PLN 43.2 in Q2'11

Mini Package ARPU amounted to PLN 11.6 in Q2'11

### ARPU



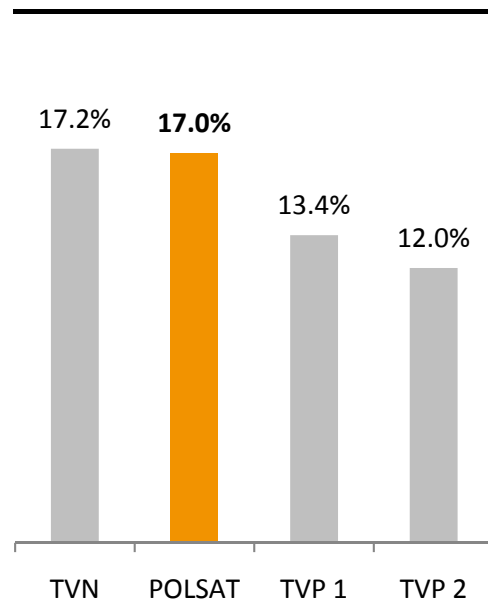
Note: We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of fees paid by our subscribers for our services divided by the average number of subscribers to whom we rendered services in the reporting period

# TV broadcasting and production segment

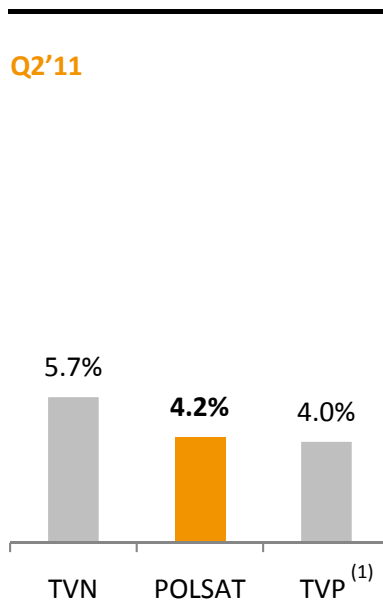
## Growth in audience share (Q2'11)

- TV Polsat Group was the only one which increased its audience share
  - Audience share in Q2'11 increased by 12.9% (YoY) to 21.2%
  - Polsat channel audience share increased by 9.5% (YoY) to 17.0%
  - Audience share of Polsat thematic channels increased in Q2'11 by 29.3% compared to Q2'10

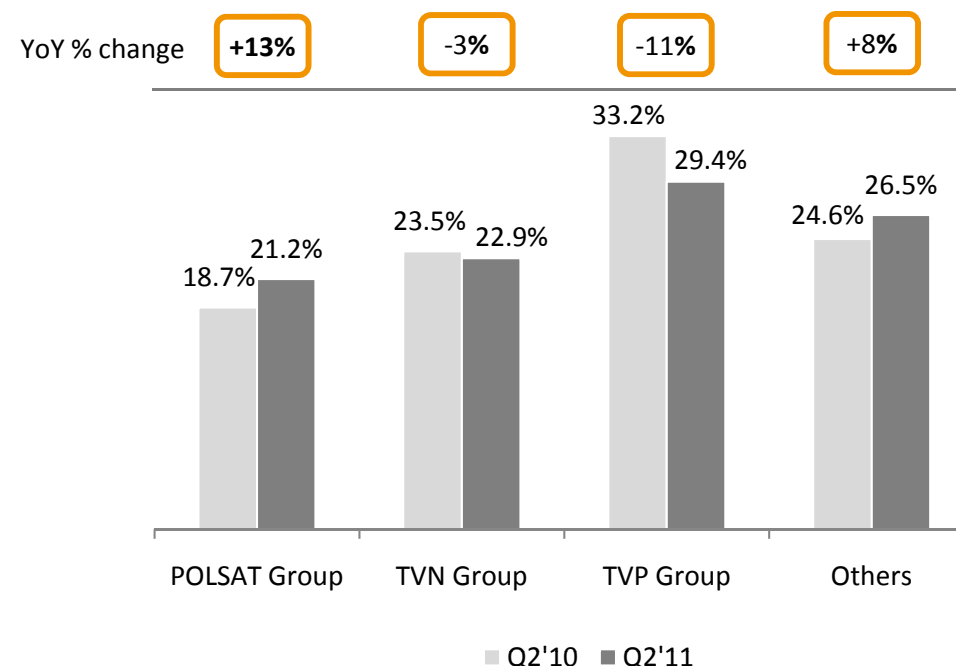
**Audience share  
of main channels**



**Audience share  
of thematic channels**



**Dynamics of audience share results**

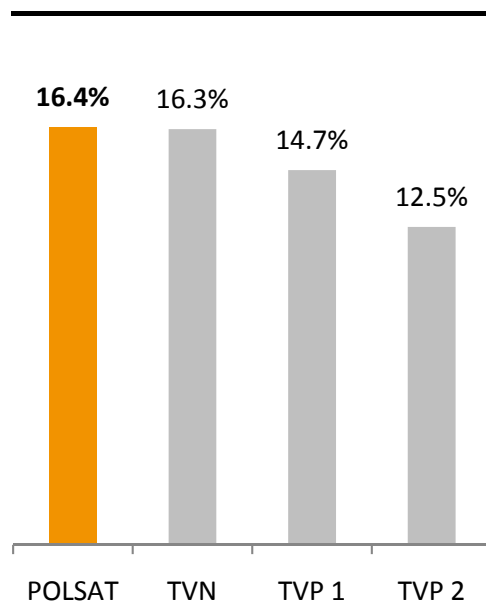


# TV broadcasting and production segment

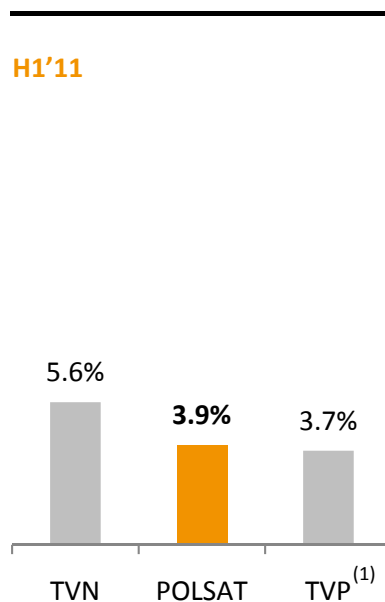
## Growth in audience share (H1'11)

- TV Polsat Group was the only one which increased its audience share
  - Audience share in H1'11 increased by 8.3% (YoY) to 20.3%
  - Polsat channel was the leader in terms of audience with 16.4% audience share
  - Audience share of Polsat thematic channels increased in H1'11 by 30.9% compared to H1'10

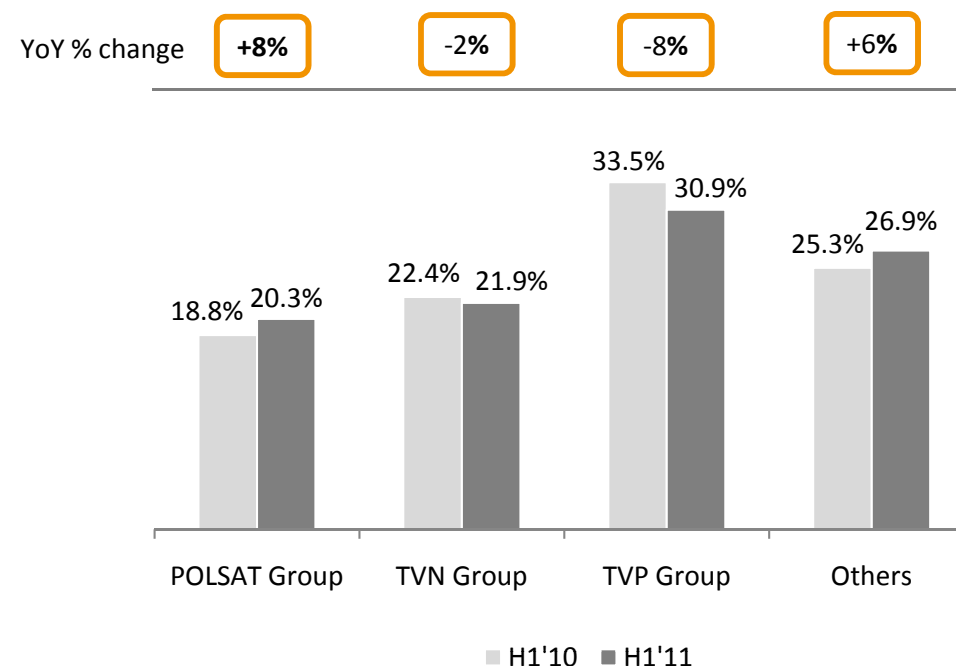
Audience share  
of main channels



Audience share  
of thematic channels



Dynamics of audience share



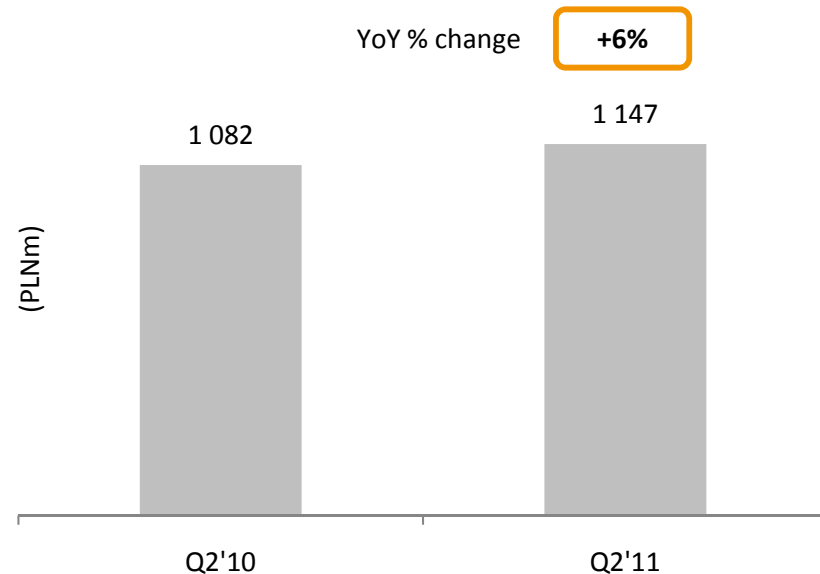
# TV broadcasting and production segment

## Growing TV advertising market (Q2'11)

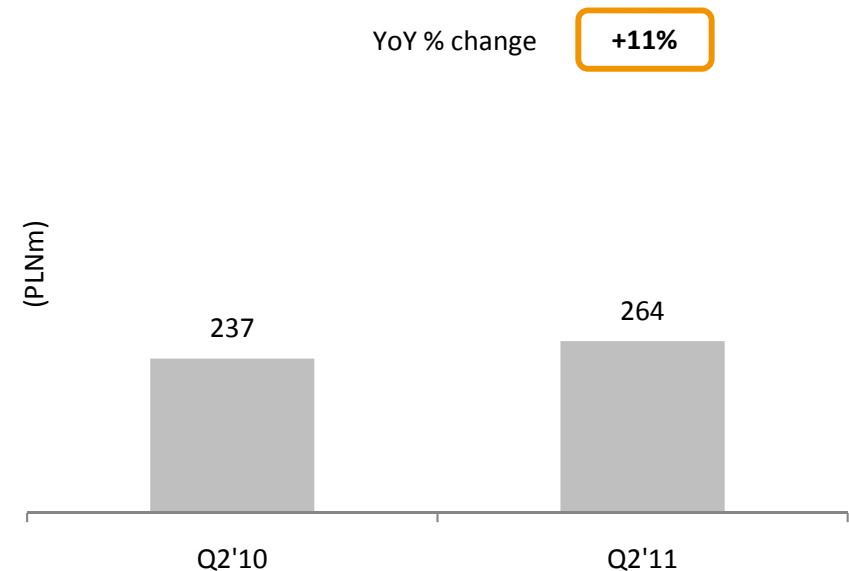


- TV advertising and sponsoring market grew YoY by 6%
- Revenues from advertising and sponsoring of TV Polsat Group outperformed the market by nearly **2x**, and its market share in Q2'11 was 23%

### Expenditures on TV advertising and sponsoring



### Revenues from advertising and sponsoring of TV Polsat Group<sup>(1)</sup>



Source: Starlink, airtime and sponsoring; TV Polsat; internal analysis

Note: (1) Revenues from advertising and sponsoring of TV Polsat Group according to Starlink's definition

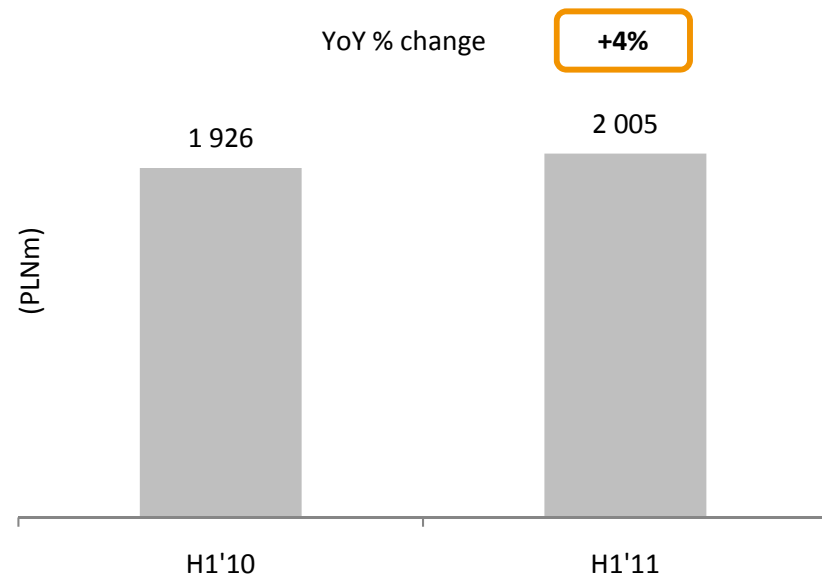
# TV broadcasting and production segment

## Growing TV advertising market (H1'11)

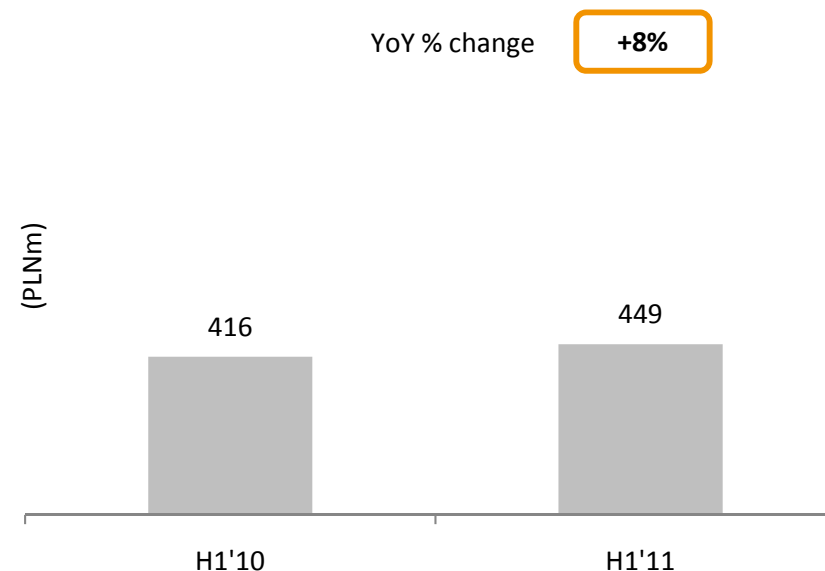


- TV advertising and sponsoring market grew YoY by 4%
- Revenues from advertising and sponsoring of TV Polsat Group outperformed the market by **2x**, and its market share in H1'11 was over 22%

### Expenditures on TV advertising and sponsoring



### Revenues from advertising and sponsoring of TV Polsat Group<sup>(1)</sup>



Source: Starlink, airtime and sponsoring; TV Polsat; internal analysis

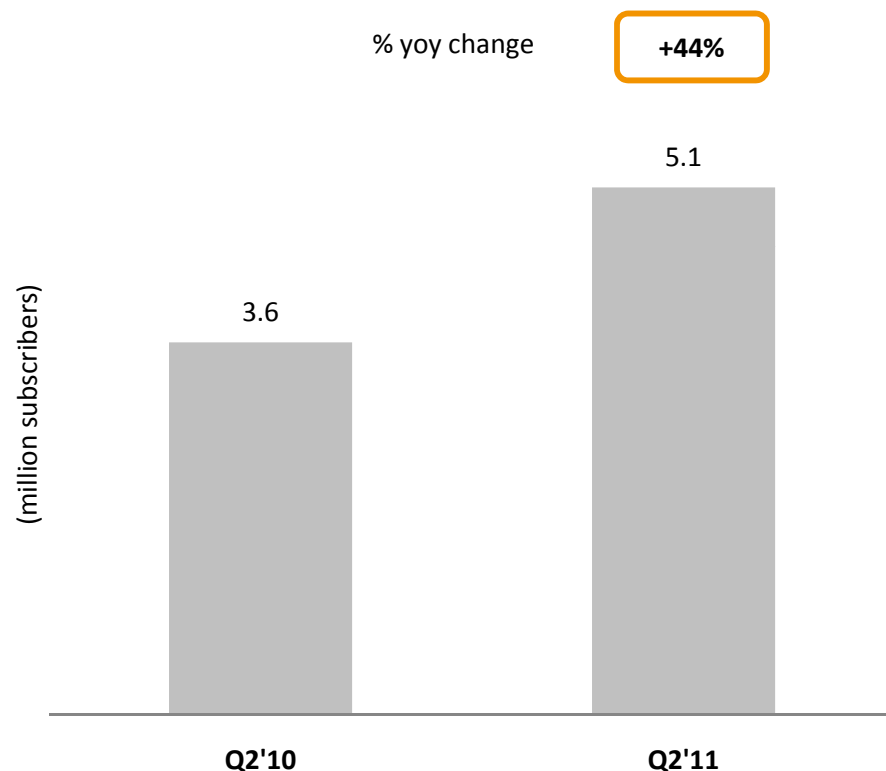
Note: (1) Revenues from advertising and sponsoring of TV Polsat Group according to Starlink's definition

# TV broadcasting and production

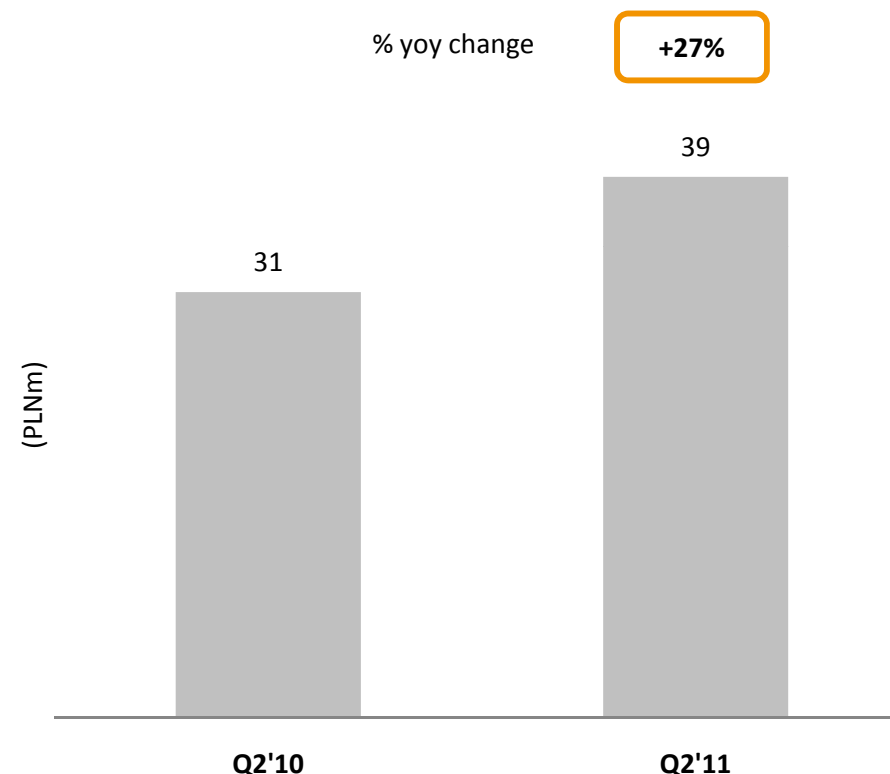
## Growth in distribution of thematic channels



### Distribution of thematic channels <sup>(1)</sup>



### Revenue from cable and satellite operator fees <sup>(2)</sup>



 Distribution on ca. 60% of the estimated potential range

Source: Cyfrowy Polsat

Note: (1) includes: Polsat Play, Polsat Café, Polsat Sport, Polsat Sport Extra, Polsat Film, Polsat News

(2) includes: Polsat Play, Polsat Café, Polsat Sport, Polsat Sport Extra, Polsat Film, Polsat News, Polsat Sport HD, Polsat Futbol, Polsat 2; includes revenue from Cyfrowy Polsat



# Very good financial results of the Group...



in PLN m	Q2'11	YoY change	
Revenues	629	↑	67%
EBITDA	218	↑	100%
EBITDA margin	34.6%	↑	5.1pp
Net profit	69	↑	4%

## Consolidation of revenues of TV Polsat Group

- Advertising and sponsorship revenue
- Revenue from cable and satellite operator fees
- Revenue from sale of licenses, sub-licenses and property rights

## EBITDA and EBITDA margin include costs of TV Polsat Group

## EBITDA margin reflects partially realized synergies

## Net profit reflects the effect of finance costs related to the acquisition of Telewizja Polsat

# ...also achieved thanks to the fast-developing „old” CP Group

in PLN m	H1'11	YoY change		
Revenues	397	↑	5%	Revenues growth based on the organic business growth
EBITDA	120	↑	11%	EBITDA growth outperformed revenue growth thanks to effective cost management
EBITDA margin	30.3%	↑	0.8 pp	Net profit increase due to net effect of dividend from Telewizja Polsat and the cost of debt servicing
Net profit	193	↑	>100%	

**3**

## **Financial results**

# Profit and loss in Q2'11

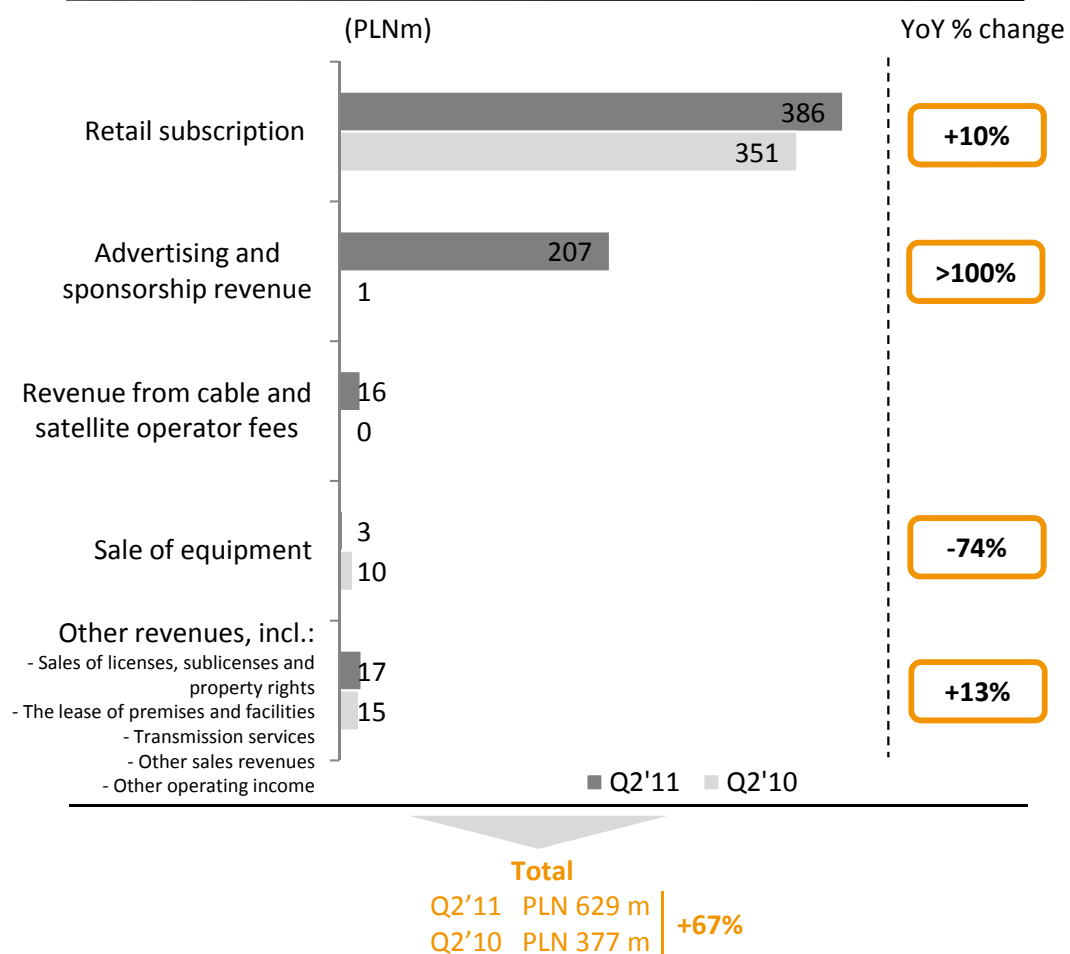
in PLN m	Q2'11	Q2'10	Change	Reasons
<b>Revenues</b>	<b>629</b>	<b>377</b>	<b>252</b>	<ul style="list-style-type: none"> <li>Consolidation of TV Polsat Group, including above all                             <ul style="list-style-type: none"> <li>Advertising and sponsorship revenue</li> <li>Revenue from cable and satellite operators</li> </ul> </li> <li>7.5% increase in average number of subscribers</li> <li>3.1% increase in Family Package ARPU</li> <li>6.4% increase in Mini Package ARPU</li> <li>Increase in telecommunication revenues</li> </ul>
<b>Costs <sup>(1)</sup></b>	<b>412</b>	<b>268</b>	<b>143</b>	<ul style="list-style-type: none"> <li>Consolidation of TV Polsat Group                             <ul style="list-style-type: none"> <li>New cost positions:                                     <ul style="list-style-type: none"> <li>Cost of internal and external TV production and amortization of sports broadcasting rights</li> <li>Amortization of purchased film licenses</li> </ul> </li> </ul> </li> <li>Increase in:                             <ul style="list-style-type: none"> <li>Depreciation, amortization and impairment</li> <li>Salaries and employee-related costs</li> <li>Distribution, marketing, customer relation management and retention costs</li> <li>Broadcasting and signal transmission costs</li> </ul> </li> </ul> <p>Resulting to the consolidation of TV Polsat or business development</p>
<b>EBITDA</b>	<b>218</b>	<b>109</b>	<b>109</b>	
<i>Margin %</i>	<i>34.6%</i>	<i>29.5%</i>	<i>5.1pp</i>	
<b>Net profit</b>	<b>69</b>	<b>67</b>	<b>2</b>	
<i>Margin %</i>	<i>11.1%</i>	<i>18.2%</i>	<i>-7.1pp</i>	

# Profit and loss in H1'11

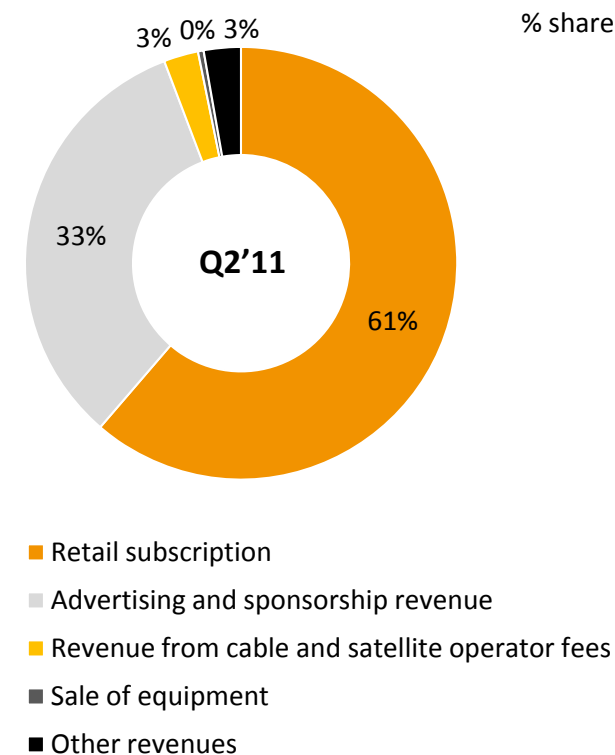
in PLN m	H1'11	H1'10	Change	Reasons
<b>Revenues</b>	<b>1,040</b>	<b>752</b>	<b>288</b>	<ul style="list-style-type: none"> <li>Consolidation of TV Polsat Group, including above all                             <ul style="list-style-type: none"> <li>Advertising and sponsorship revenue</li> <li>Revenue from cable and satellite operators</li> </ul> </li> <li>7.1% increase in average number of subscribers</li> <li>3.6% increase in Family Package ARPU</li> <li>7.5% increase in Mini Package ARPU</li> <li>Increase in telecommunication revenues</li> </ul>
<b>Costs <sup>(1)</sup></b>	<b>698</b>	<b>520</b>	<b>178</b>	<ul style="list-style-type: none"> <li>Consolidation of TV Polsat Group                             <ul style="list-style-type: none"> <li>New cost positions:                                     <ul style="list-style-type: none"> <li>Cost of internal and external TV production and amortization of sports broadcasting rights</li> <li>Amortization of purchased film licenses</li> </ul> </li> </ul> </li> <li>Increase in:                             <ul style="list-style-type: none"> <li>Depreciation, amortization and impairment</li> <li>Salaries and employee-related costs</li> <li>Distribution, marketing, customer relation management and retention costs</li> <li>Bad debt provision and receivables written-off</li> <li>Broadcasting and signal transmission costs</li> </ul> </li> </ul>
<b>EBITDA</b> <i>margin%</i>	<b>342</b> 33.2%	<b>232</b> 31.2%	<b>110</b> 2.0 pp	
<b>Net profit</b> <i>margin%</i>	<b>146</b> 14.1%	<b>153</b> 20.6%	<b>-7</b> -6.5 pp	Resulting to the consolidation of TV Polsat or business development

# Revenues structure in Q2'11

## Revenues in Q2'11 vs. Q2'10

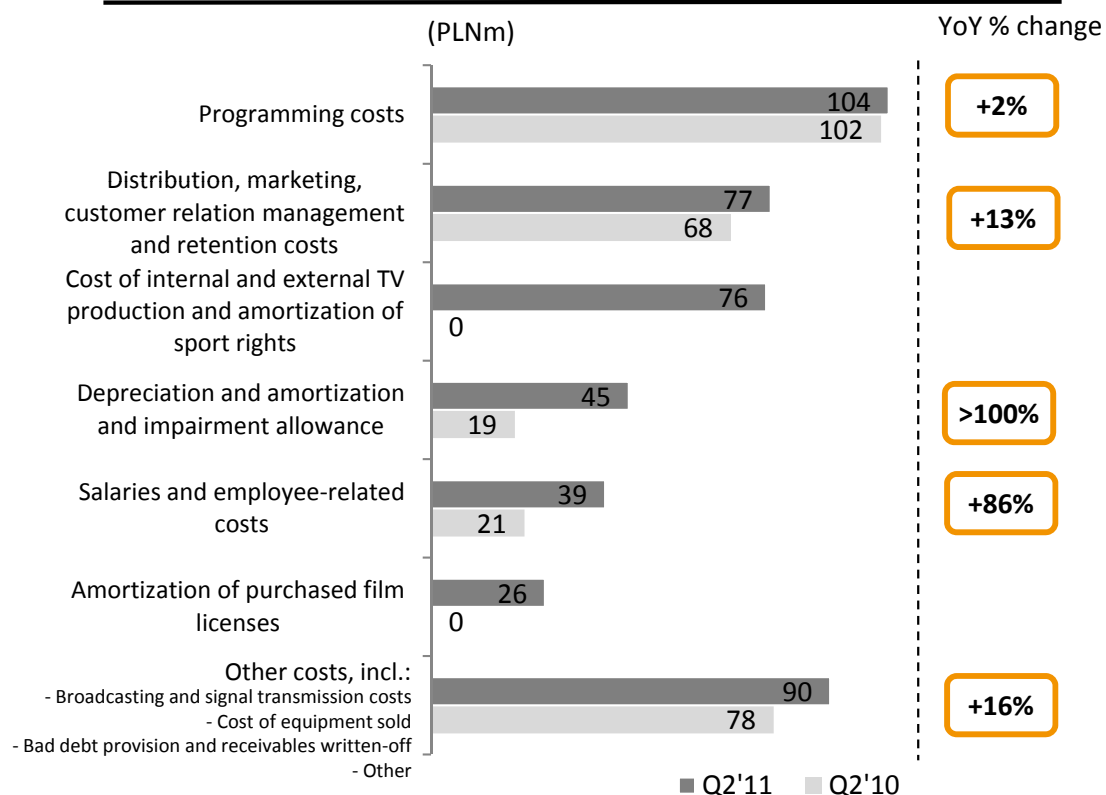


## Revenues breakdown



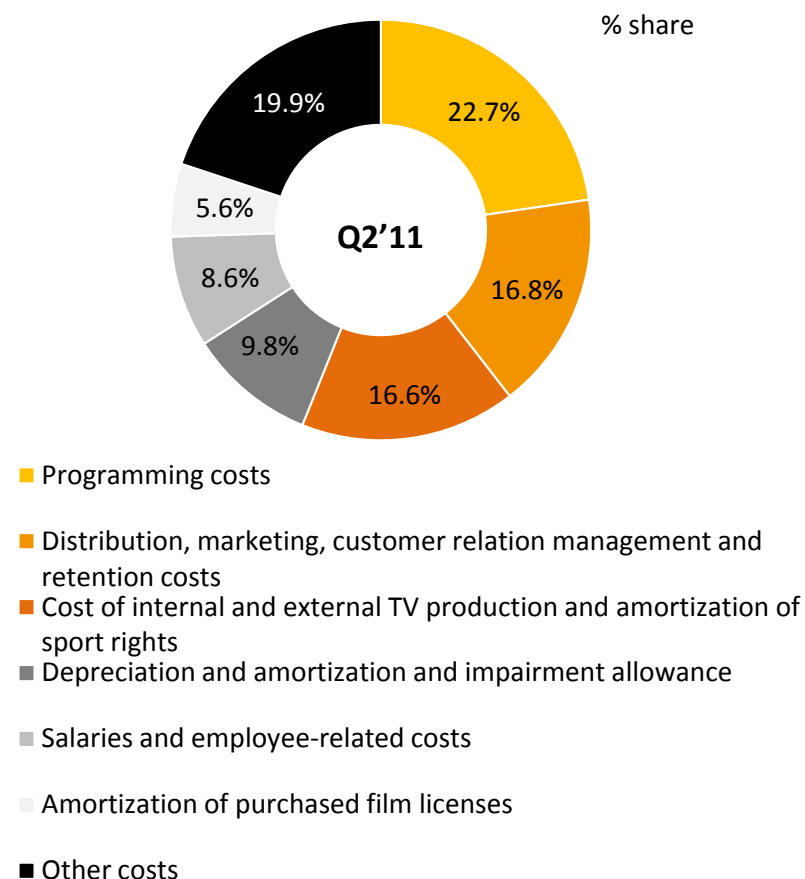
# Costs structure in Q2'11

## Operating costs in Q2'11 vs. Q2'10



**Total**  
Q2'11 PLN 457 m  
Q2'10 PLN 287 m  
**+59%**

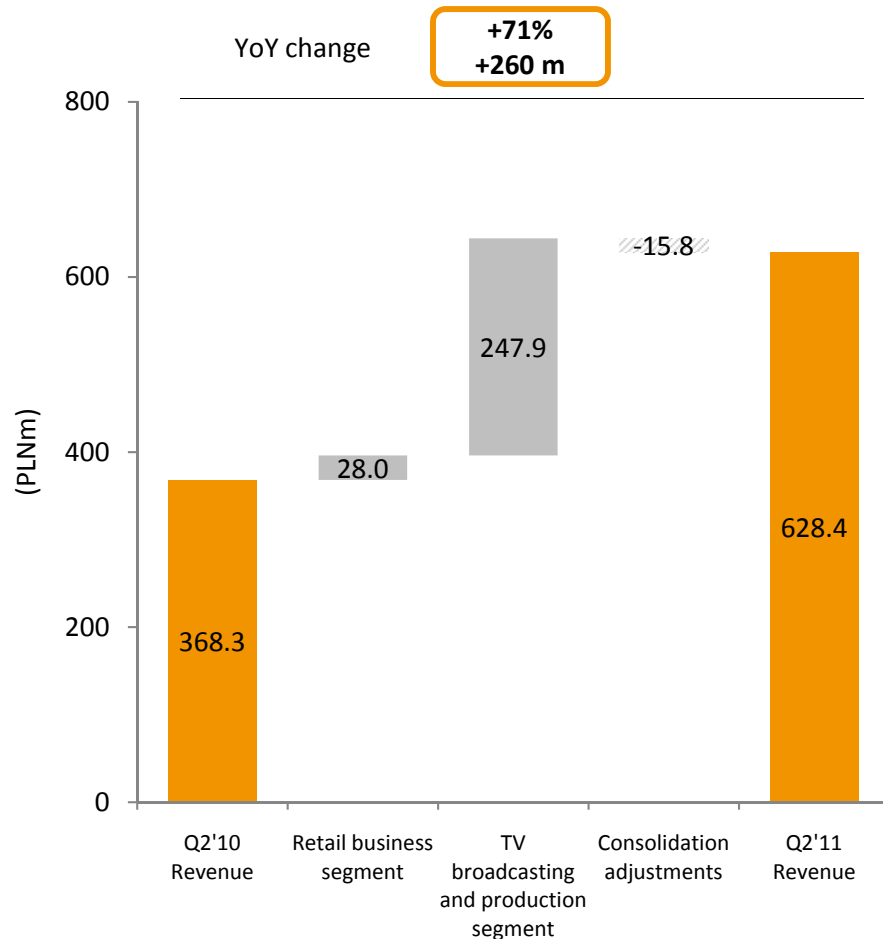
## Operating costs breakdown



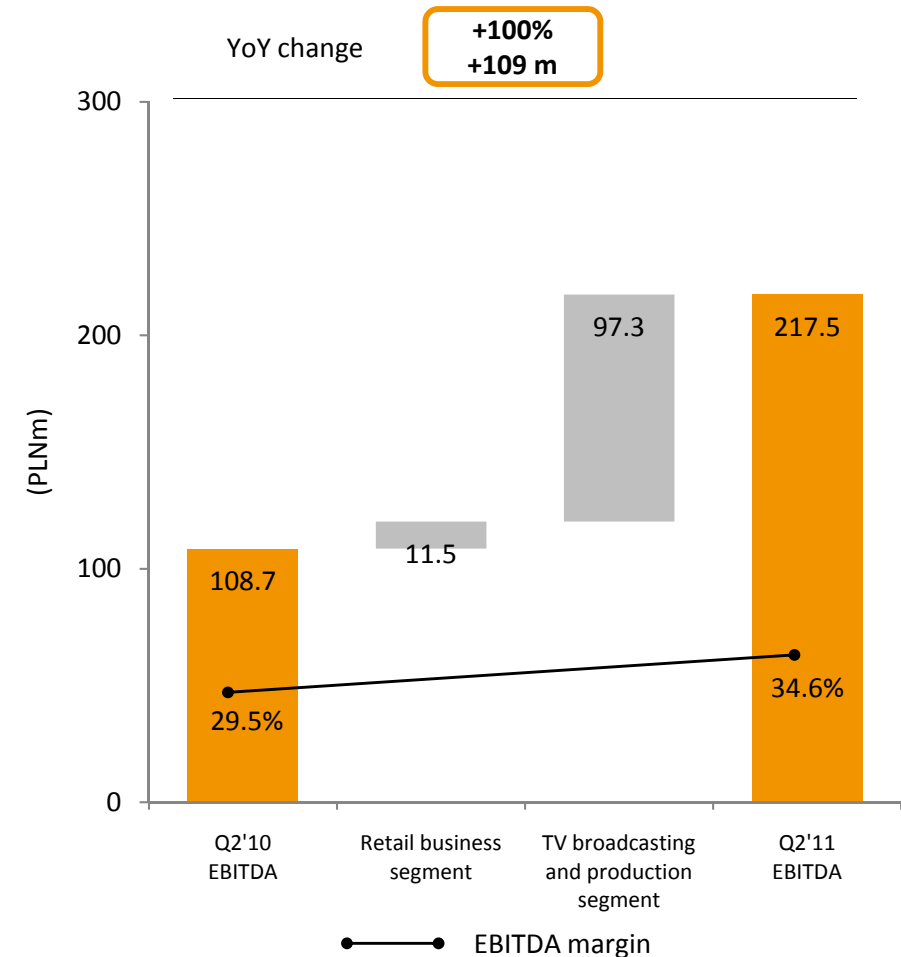
# Revenue and EBITDA

## Growth drivers in Q2'11

### Revenue<sup>(1)</sup>



### EBITDA





# TV Polsat Group

## Summary P&L (Q2'11)



in PLN m	Q2'11	Q2'10	Change	Reasons
<b>Revenues</b>	<b>317</b>	<b>270</b>	<b>47</b>	<ul style="list-style-type: none"> <li>— Increase in revenues from wholesale subscription</li> <li>— Increase in advertising and sponsoring revenues</li> </ul>
<b>Costs <sup>(1)</sup></b>	<b>198</b>	<b>181</b>	<b>17</b>	<ul style="list-style-type: none"> <li>— Costs under control</li> </ul>
<b>EBITDA</b>	<b>115</b>	<b>88</b>	<b>27</b>	
<i>margin%</i>	<i>36.3%</i>	<i>32.9%</i>	<i>3.4 pp</i>	
<b>Net profit</b>	<b>90</b>	<b>89</b>	<b>1</b>	
<i>margin%</i>	<i>28.3%</i>	<i>33.2%</i>	<i>-4.9 pp</i>	<ul style="list-style-type: none"> <li>— FX gain in Q2'10</li> </ul>

# TV Polsat Group

## Summary P&L (H1'11)



in PLN m	H1'11	H1'10	Change	Reasons
<b>Revenues</b>	<b>553</b>	<b>471</b>	<b>82</b>	<ul style="list-style-type: none"> <li>— Increase in revenues from wholesale subscription</li> <li>— Increase in advertising and sponsoring revenues</li> </ul>
<b>Costs <sup>(1)</sup></b>	<b>364</b>	<b>322</b>	<b>42</b>	<ul style="list-style-type: none"> <li>— Costs under control</li> <li>— Slight increase of the programing costs due to amortization of purchased film licenses</li> </ul>
<b>EBITDA margin%</b>	<b>184</b> <b>33.3%</b>	<b>154</b> <b>32.5%</b>	<b>30</b> <b>0.8 pp</b>	
<b>Net profit margin%</b>	<b>135</b> <b>24.5%</b>	<b>143</b> <b>30.3%</b>	<b>-8</b> <b>-5.8 pp</b>	<ul style="list-style-type: none"> <li>— FX gains in H1'10</li> </ul>

# Balance sheet as of 30 June 2011

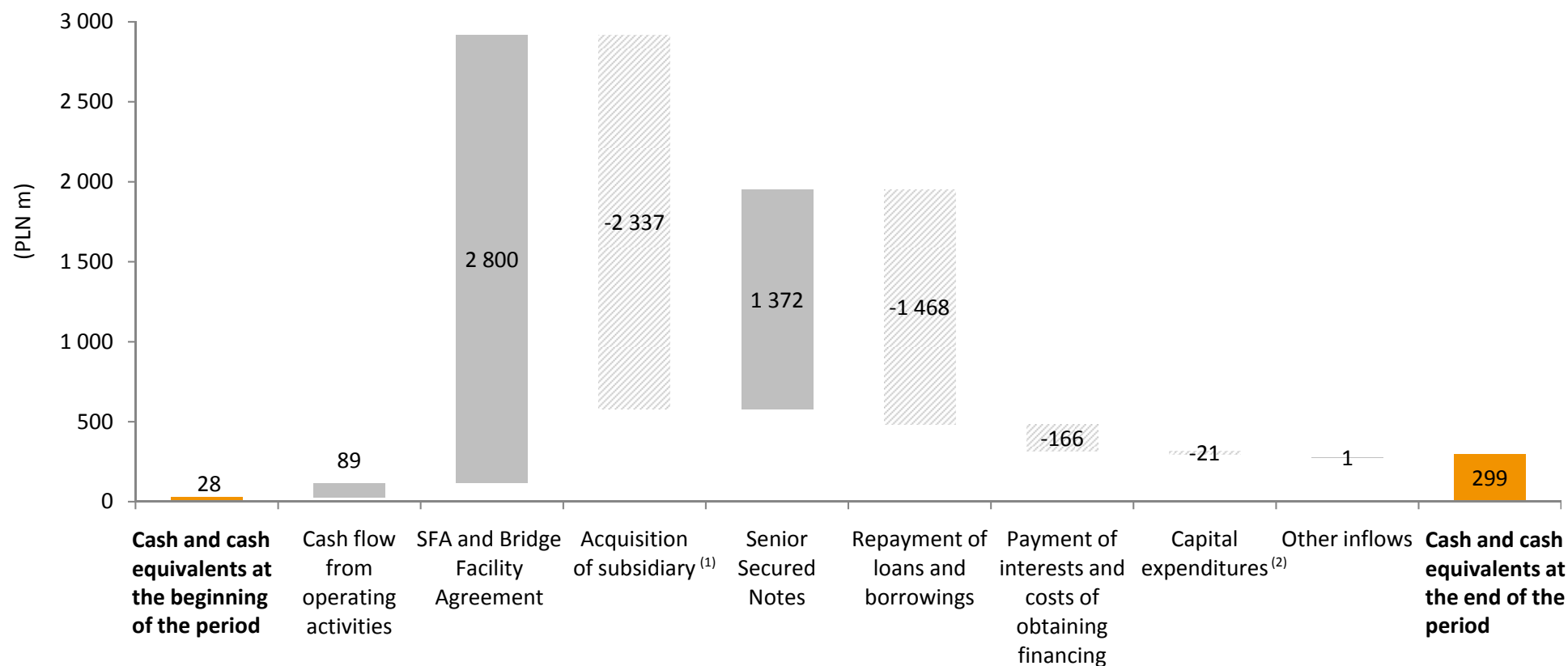
## Main changes




Assets				Equity & Liabilities			
in PLN m	30 June 2011	31 Dec. 2010	Change	in PLN m	30 June 2011	31 Dec. 2010	Change
<b>Non-current assets</b>	<b>4,123</b>	<b>545</b>	<b>3,578</b>	<b>Equity</b>	<b>1,871</b>	<b>428</b>	<b>1,443</b>
Goodwill	2,412	52	2,360	Share capital	14	11	3
Brands	840	0	840	Reserve capital	432	157	276
Non-current programming assets	115	0	115	Other reserves	1,305	10	1,295
<b>Current assets</b>	<b>1,125</b>	<b>470</b>	<b>655</b>	Retained earnings	121	250	-130
Current programming assets	173	0	173	<b>Non-current liabilities</b>	<b>2,438</b>	<b>69</b>	<b>2,369</b>
Cash and cash equivalents	299	28	271	Loans and borrowings	1,062	0	1,062
				Bonds	1,277	0	1,277
				<b>Current liabilities</b>	<b>940</b>	<b>518</b>	<b>421</b>
				Loans and borrowings	226	18	208
				Bonds	95	0	95
<b>Total assets</b>	<b>5,248</b>	<b>1,015</b>	<b>4,233</b>	<b>Total equity &amp; liabilities</b>	<b>5,248</b>	<b>1,015</b>	<b>4,233</b>

# Cash flow in H1'11

## Net cash flow, cash position and debt – H1'11



 Total debt at the end of the period amounted to PLN 2.659 m (Term loan/Senior Secured Notes)

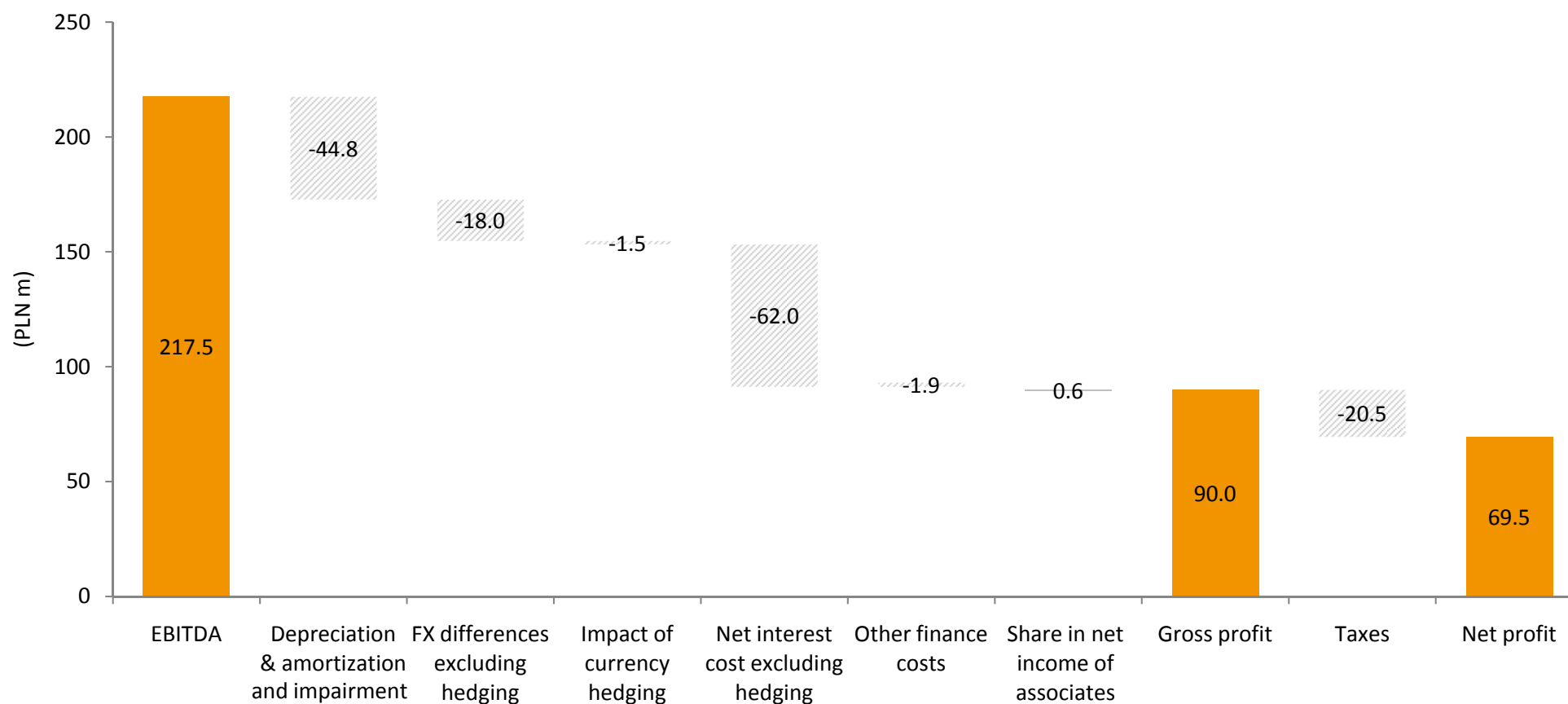
Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2011 and internal analysis

Note: (1) Acquisition of TV Polsat for PLN 2,600 m net of cash acquired

(2) Excluding expenditures concerning production of set-top boxes

# Items below EBITDA Q2'11

## Amortisation, finance income and costs and taxes – Q2'11



# Financial indebttness

in PLN m	30.06.2011	Maturity
Senior facility <sup>(1)</sup>	1,287	2015
Eurobonds <sup>(1)</sup>	1,372	2018
Leasing	1	2016
Cash and equivalents	299	-
<b>Net Debt</b>	<b>2,362</b>	
Comparable 12M EBITDA <sup>(2)</sup>	769	
<b>Net Debt / 12M EBITDA</b>	<b>3.07</b>	

## Currency structure of debt



## Eurobonds Rating

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

Source: Interim condensed consolidated financial statements for the 3 and 6 month period ended 30 June 2011 and internal analysis

Note: (1) Balance sheet value of debt outstanding

(2) EBITDA including Telewizja Polsat

**5**

## Strategy

# Our vision

*We will create and provide the most attractive content...*



*... using the best and latest technologies to deliver high quality multi-play services with the highest levels of customer satisfaction*



*We will be the leader in entertainment in Poland.*



# Understanding consumer needs

- **New technologies**
- **Changing consumer habits**
- **Multi-play services**



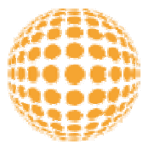
**Key content secured**

**Efficient distribution**

**A WINNING STRATEGY**

# Our strategic priorities

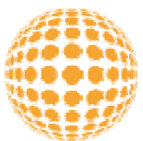
Realising the growth potential



Building value in our customer base



Building channels value



Effectively managing costs

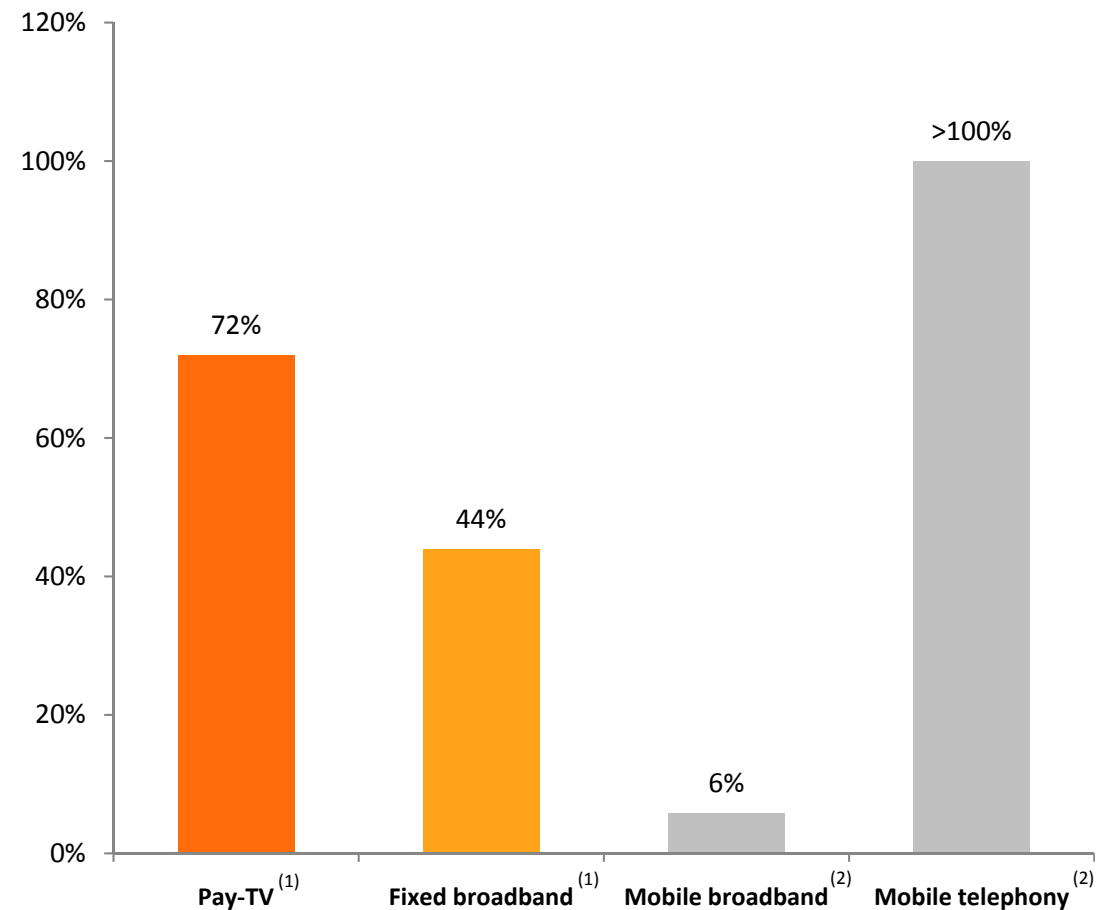
# Building value in our customer base

## Headroom for growth



- Ca. 1 million new customers is still expected to join pay-TV
  - But the multi-play potential is much larger
- Cyfrowy Polsat can address a much wider customer base than DTH alone

### Penetration of single services



Source: PMR, report „Value added and multimedia services in Poland 2011 - development forecasts for 2011-2015”, April 2011

Note: (1) Penetration within HHs

(2) Penetration within population

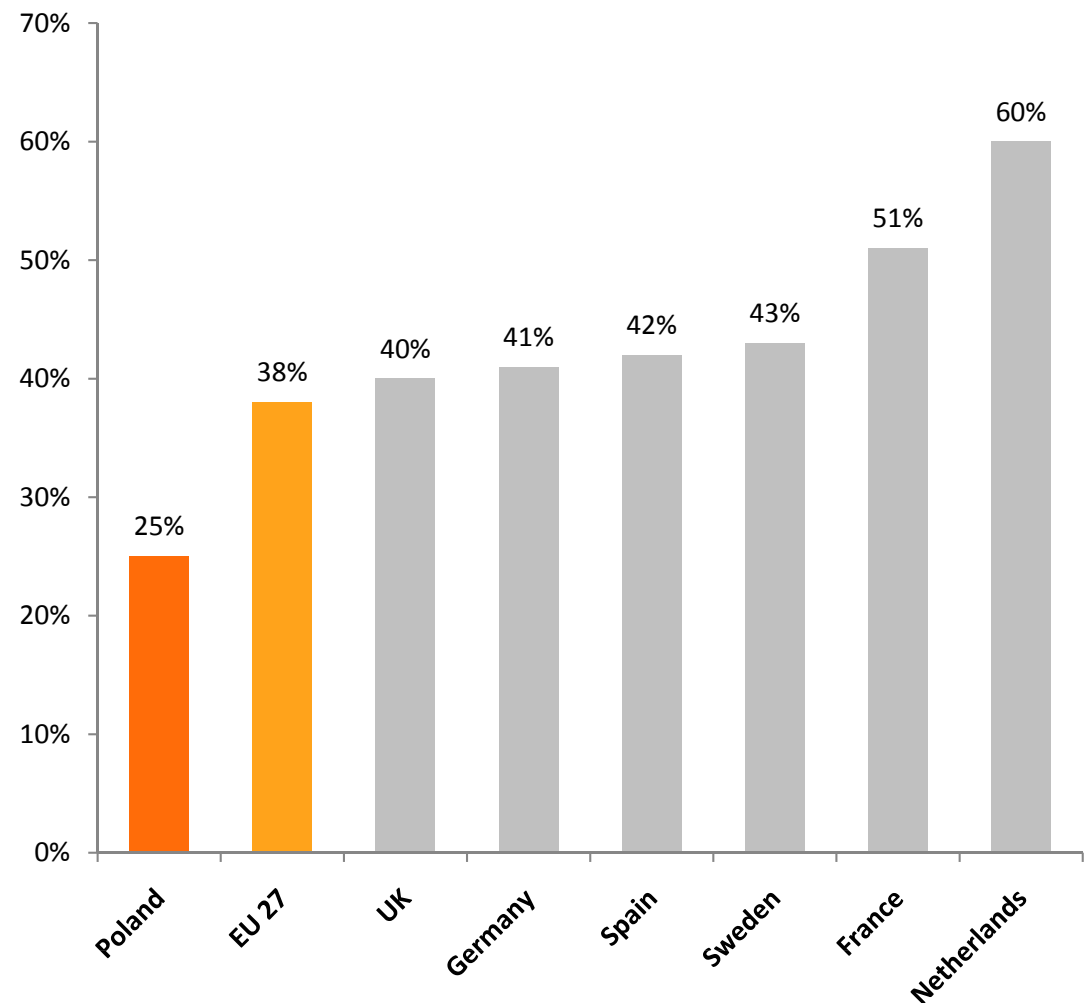
# Building value in our customer base

## The multi-play potential



- Increasing role of multi-play services seen in all European countries
- Multi-play means TV, broadband and telephony for now – but the opportunity is greater than this
- The Polish market has enormous built-in potential – catching up with the rest of Europe

### Multi-play penetration



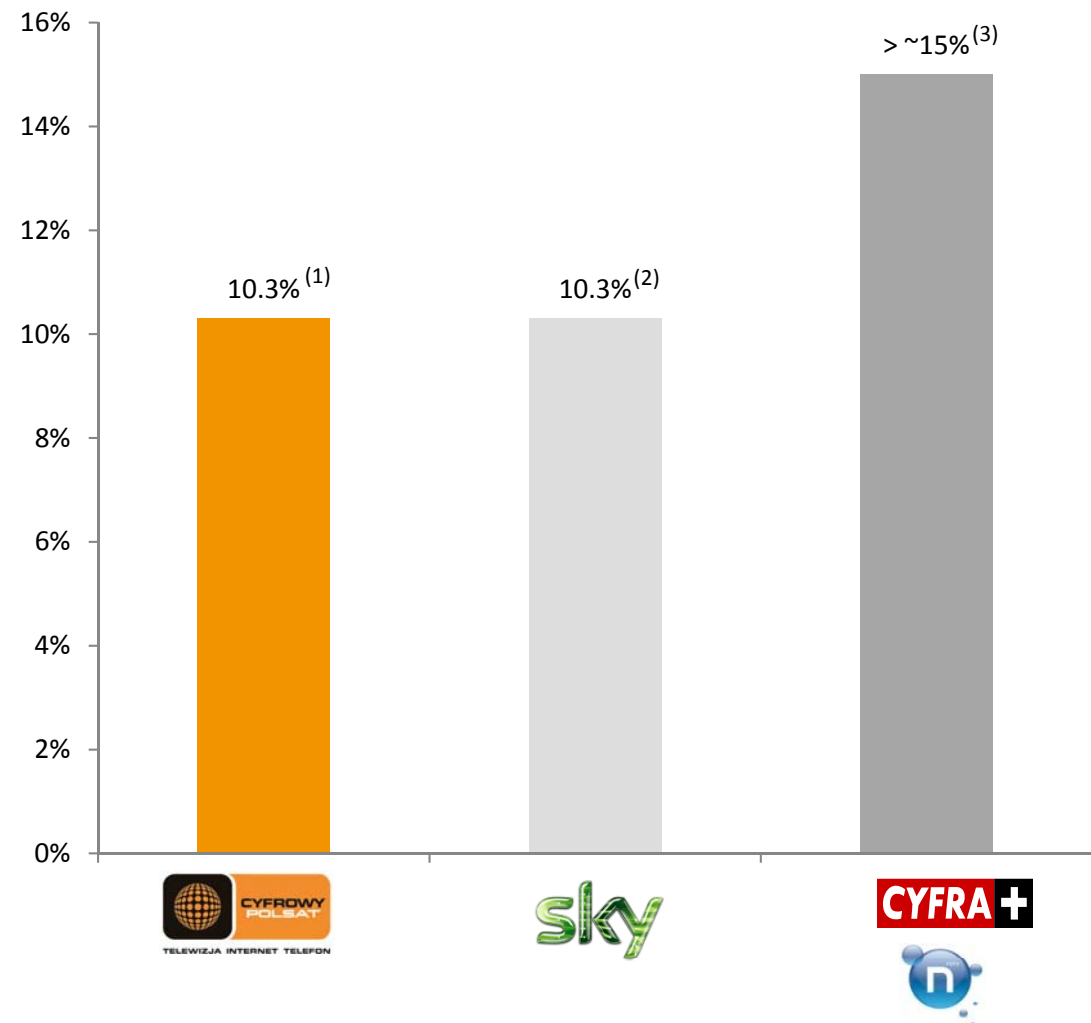
# Building value in our customer base

## Maximising loyalty



- Ensuring customer satisfaction with
  - An attractive product mix
  - Excellent customer care
- Implementing effective retention programs
- Increasing numbers of multi-play customers

### Maintaining best – in – class churn



Note: (1) Cyfrowy Polsat, 2010

(2) Refers to BSkyB. The churn rate for the FY ended June 2010 was 10.3% and 10.1% for the 3months ended December 2010.

(3) Press conference of President of Canal + Cyfrowy Sp. z o.o. (2 March 2010). TVN S.A. Capital Group annual report (gross additions 300 ths., net additions 199 ths., average number of subscribers in 2010 569 ths, (based on quarterly reports of TVN S.A. Capital Group)

# Building value in our customer base

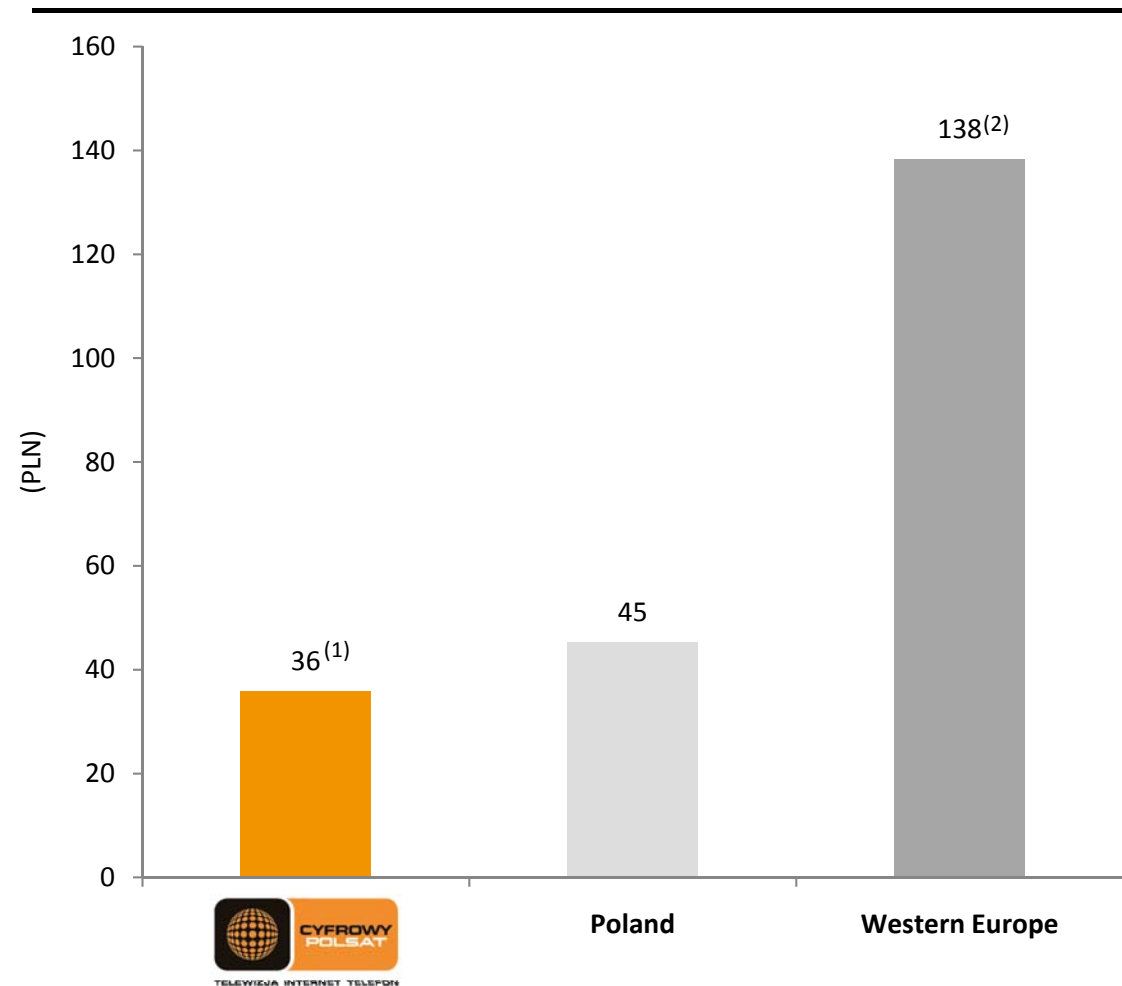
## Improving ARPU



### Several opportunities to increase ARPU over time

- Upgrade of existing customers
- Multi-play
- Selective price increases
- New products and services

### Scope to increase ARPU



Source: Cyfrowy Polsat, 2010; Poland - internal estimates based on PMR's report „Value added and multimedia services in Poland 2011 - development forecasts for 2011-2015”, (April 2011) and information published by local market players; Western Europe – Informa, „Western European TV”, 14th edition

Note: (1) Blended ARPU

(2) Revenue in USD converted into PLN at the rate of PLN 3.0157 per 1 USD

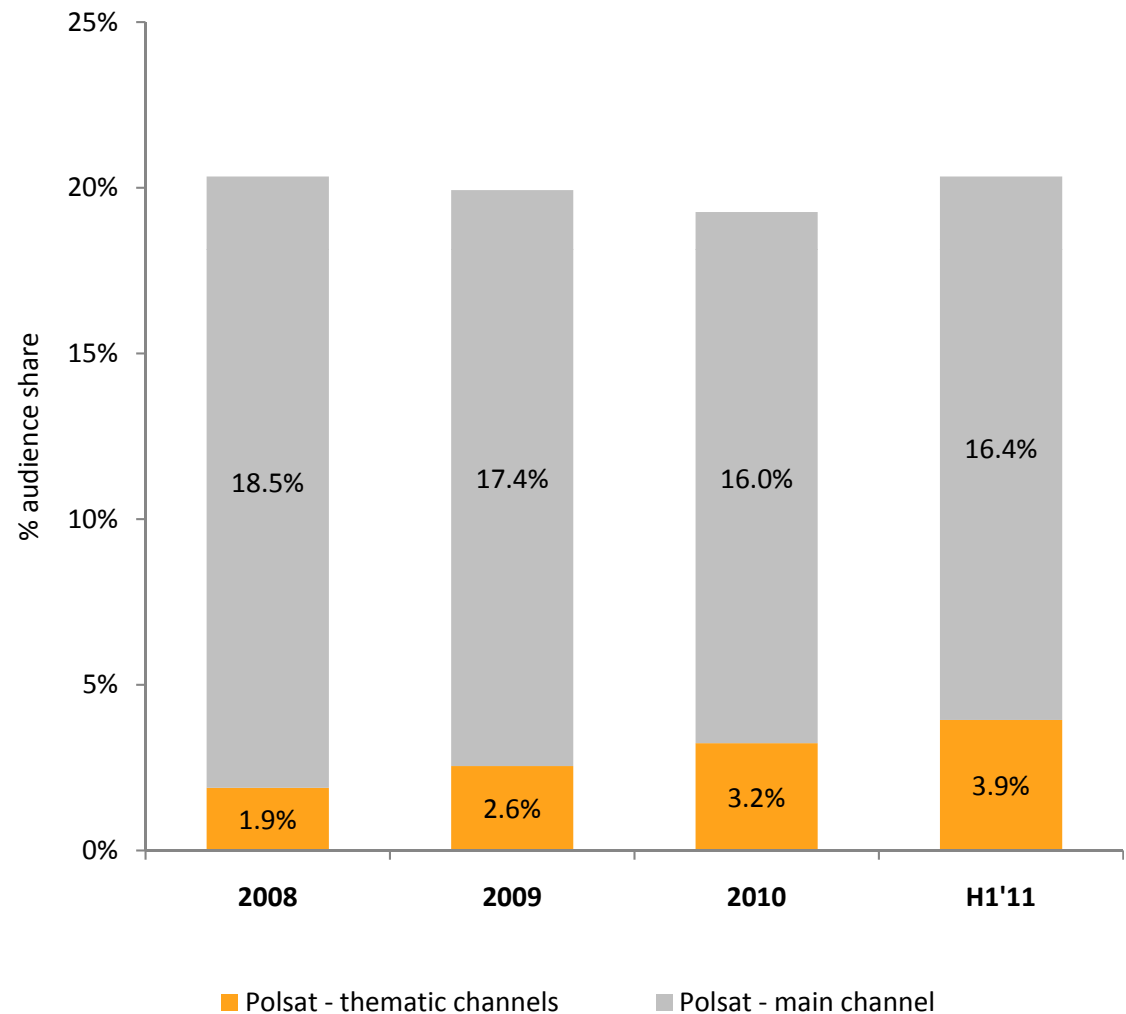
# Building channels value

## Maintaining audience share



- Stable audience share supported by growing portfolio of channels
- Maintaining share through
  - Increased distribution for thematic channels
  - Effective investments in programming
- Grow of our revenues in line with the advertising market

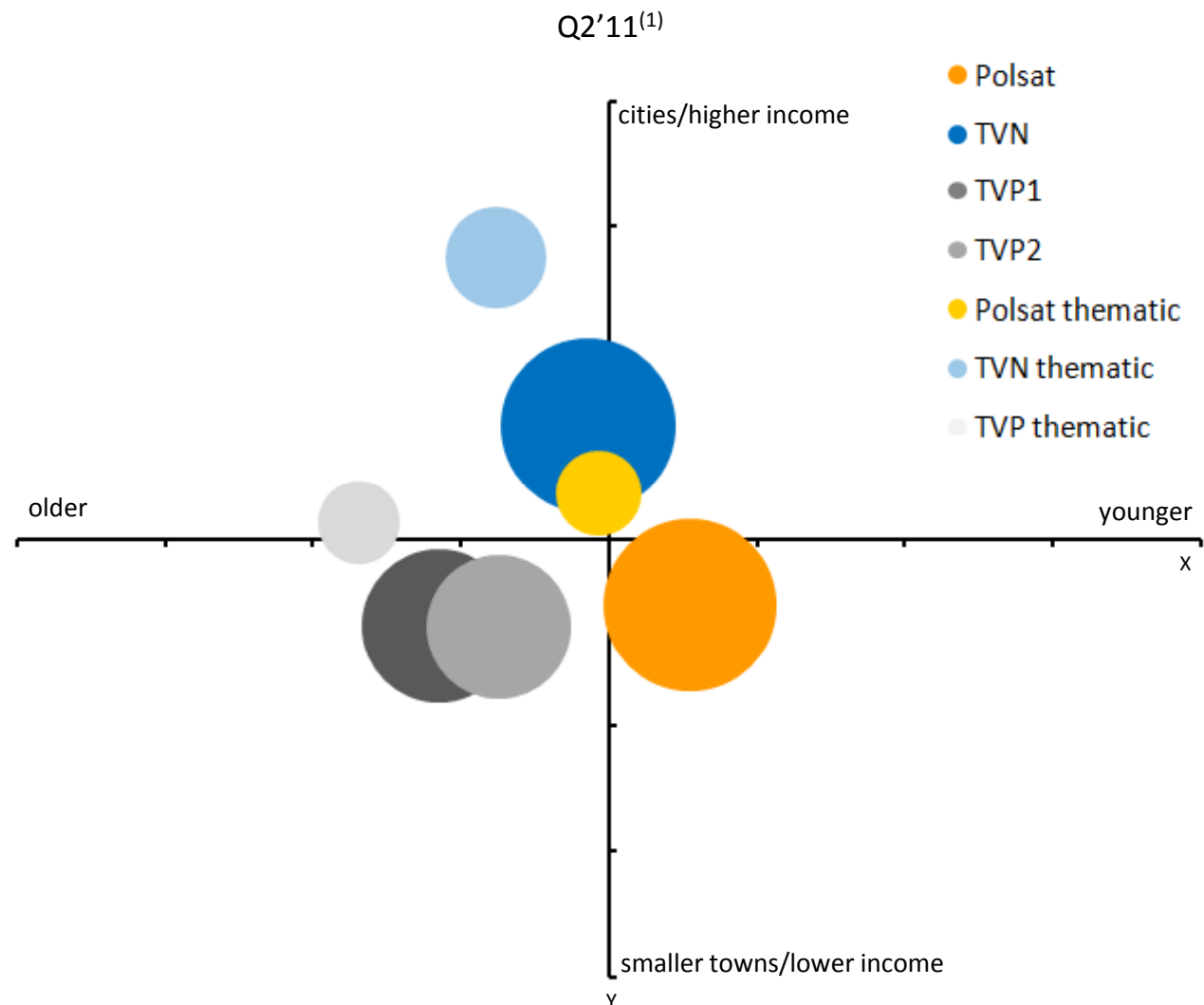
## Leading audience share



# Building channels value

## Enhancing our demographics

- Improving audience profile results in the increase of our advertisement price



Source: Nielsen Audience Measurement, internal analysis, Q2'11

Note: (1) X-axis: average age; crosscut: 45 years

Y-axis: % of group „residents of cities, average and high household income” in presented tv station/ tv group audience; crosscut 45%  
diameter: SHR%, all 16-49, all day



# Building channels value

## Revenue from cable and satellite operator fees



- Attractive family product, with reach across the market
- Current level of penetration of our thematic channels within pay-TV platforms of ca. 60% still implies high growth potential



## ● Programming

- Access to the best programming libraries
- Monetizing the best programming via different media platforms
- Control over local content production

## ● Technology

- Satellite transponders
- Own software solutions
- STB's production

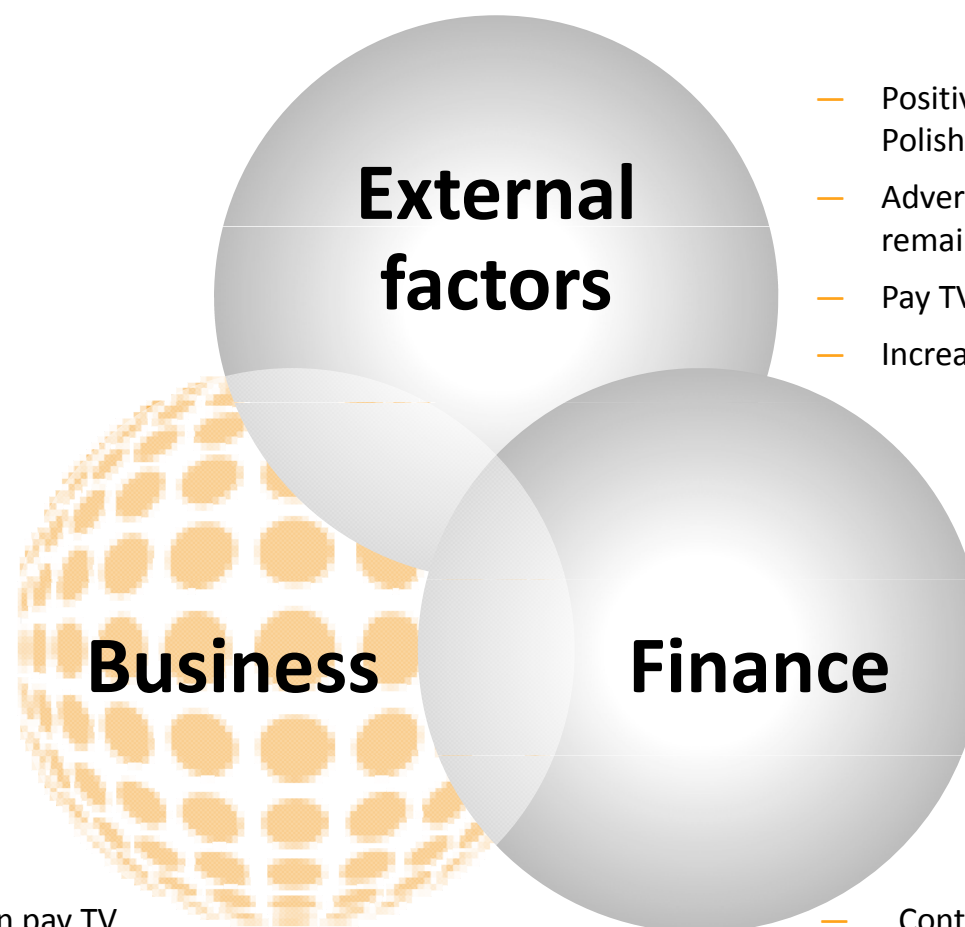
## ● Finance

- Centralization of financial functions within the combined group
- Natural hedging

## ● Back-office

- Ongoing optimizing of the group structures and procedures

# Outlook for the next year



- Positive market expectations for the Polish economy
- Advertising market sentiment in Poland remains positive
- Pay TV market continuously growing
- Increasing demand for multi-play service

- Retained market leadership in pay TV
- Increased multi-play penetration
- Increasing ARPU
- Maintaining audience share
- Competing effectively for advertising market share
- Building revenue from cable and satellite operator fees

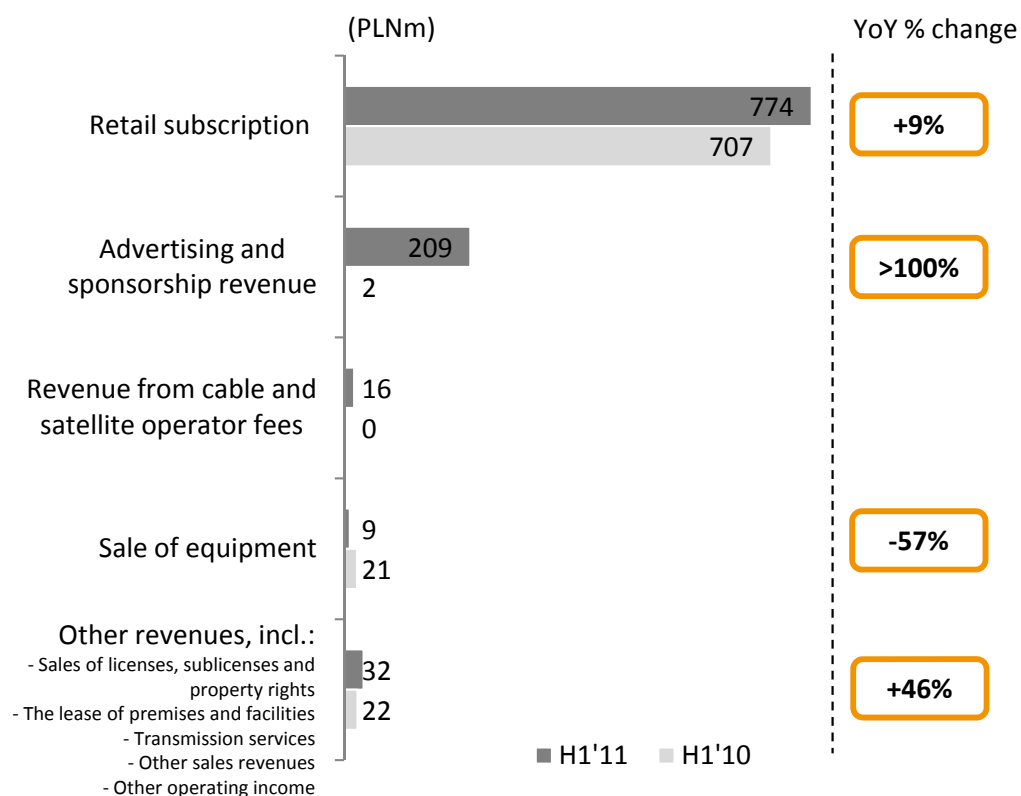
- Continued revenue growth
- Growth in profits and strong margins
- Deleveraging

# 6

## Appendix

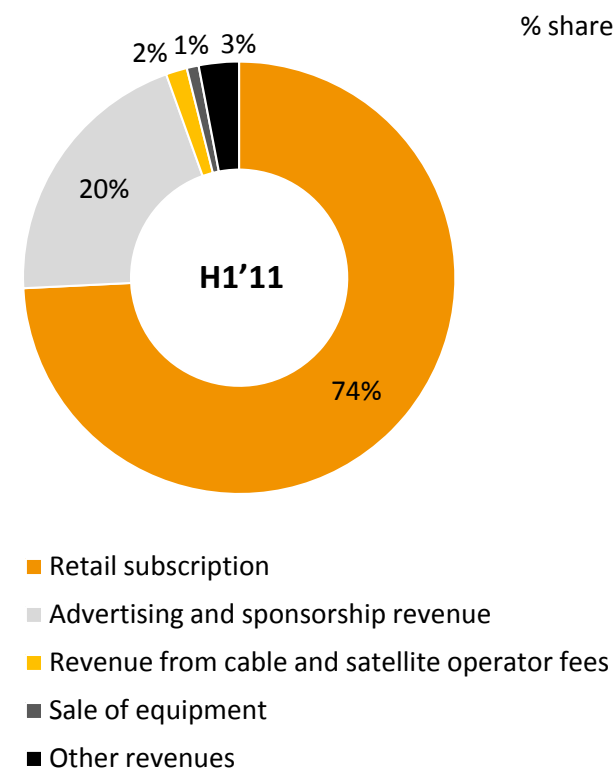
# Revenues structure in H1'11

## Revenues in H1'11 vs. H1'10



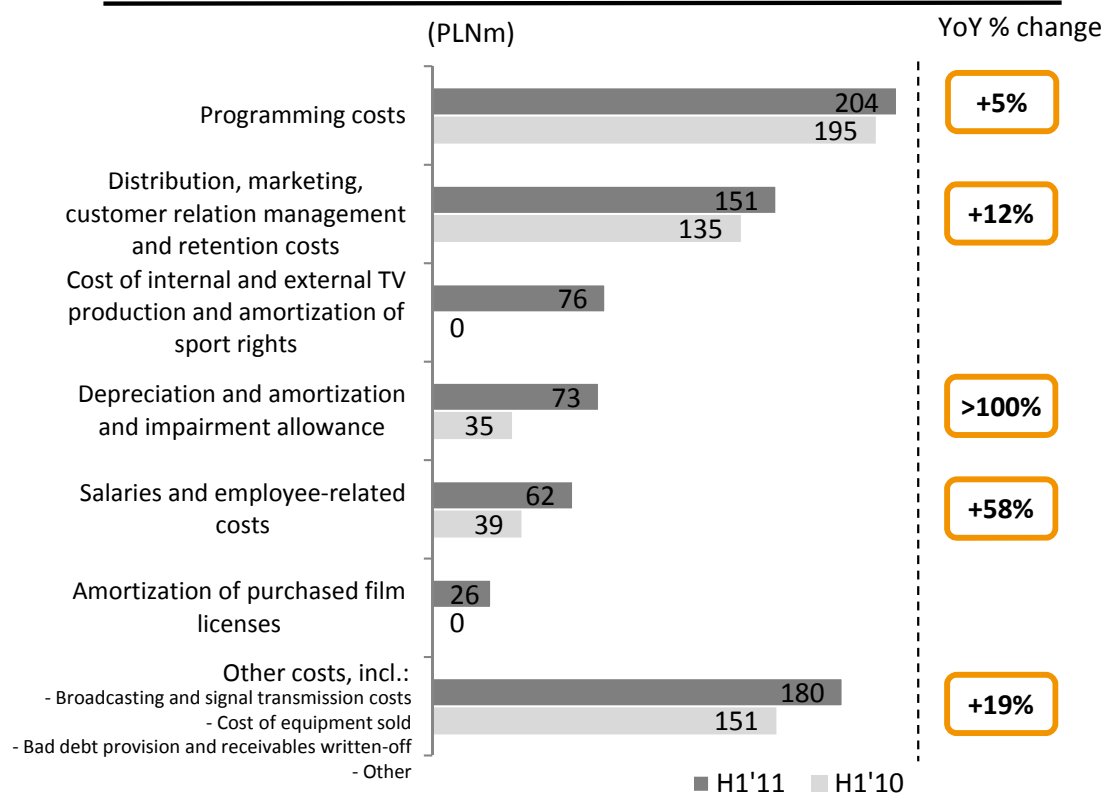
**Total**  
H1'11 PLN 1,040 m  
H1'10 PLN 752 m **+38%**

## Revenues breakdown



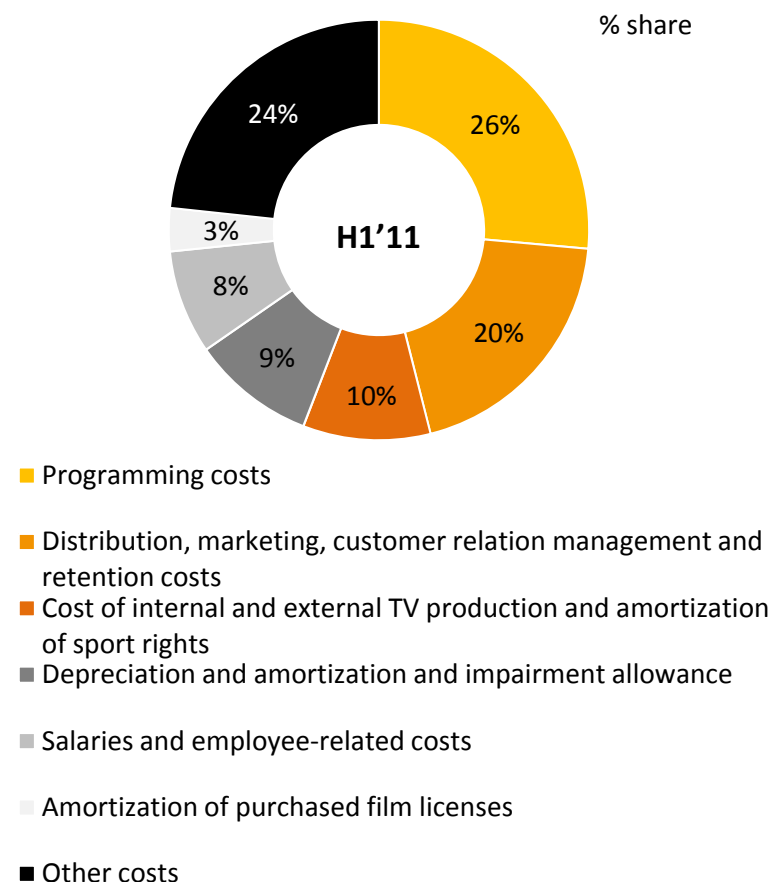
# Costs structure in H1'11

## Operating costs in H1'11 vs. H1'10



**Total**  
H1'11 PLN 771 m  
H1'10 PLN 555 m  
**+37%**

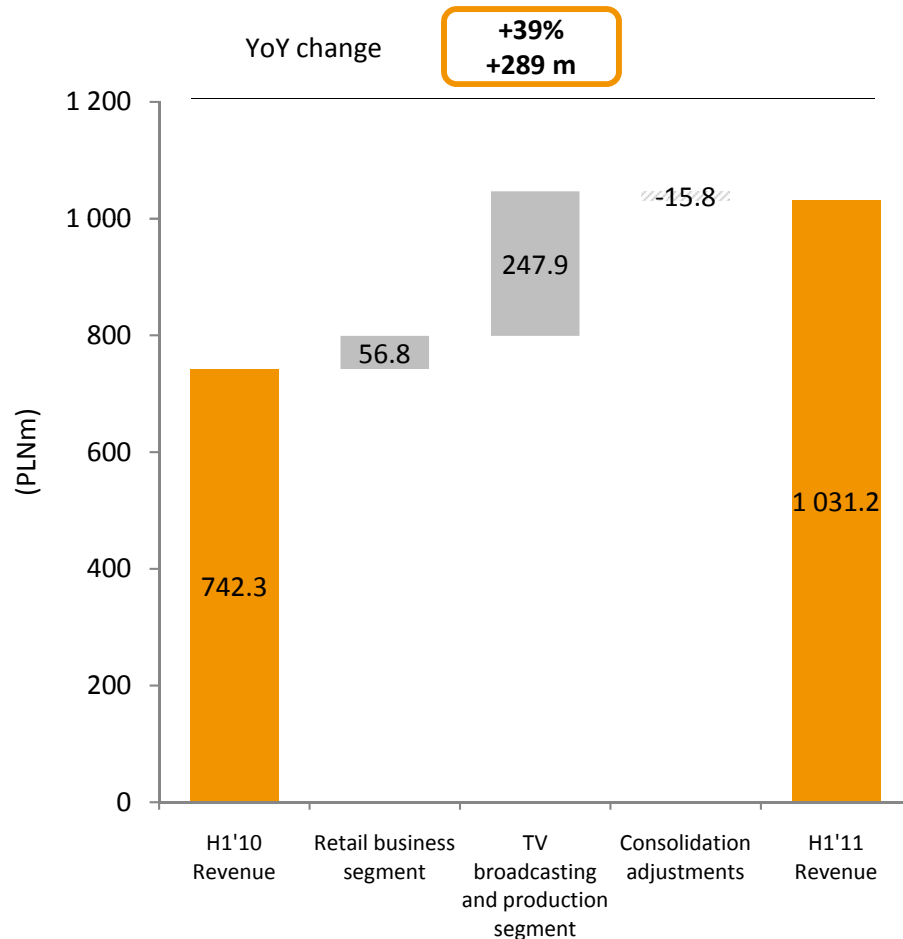
## Operating costs breakdown



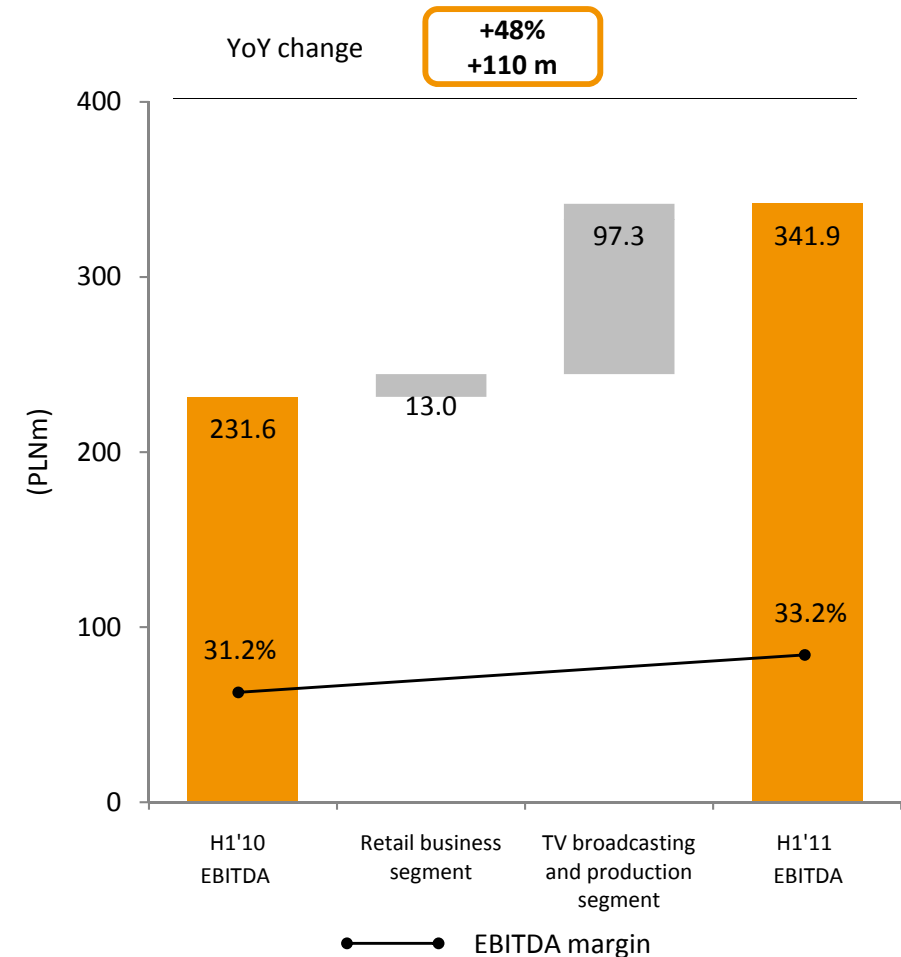
# Revenue and EBITDA

## Growth drivers in H1'11

### Revenue<sup>(1)</sup>

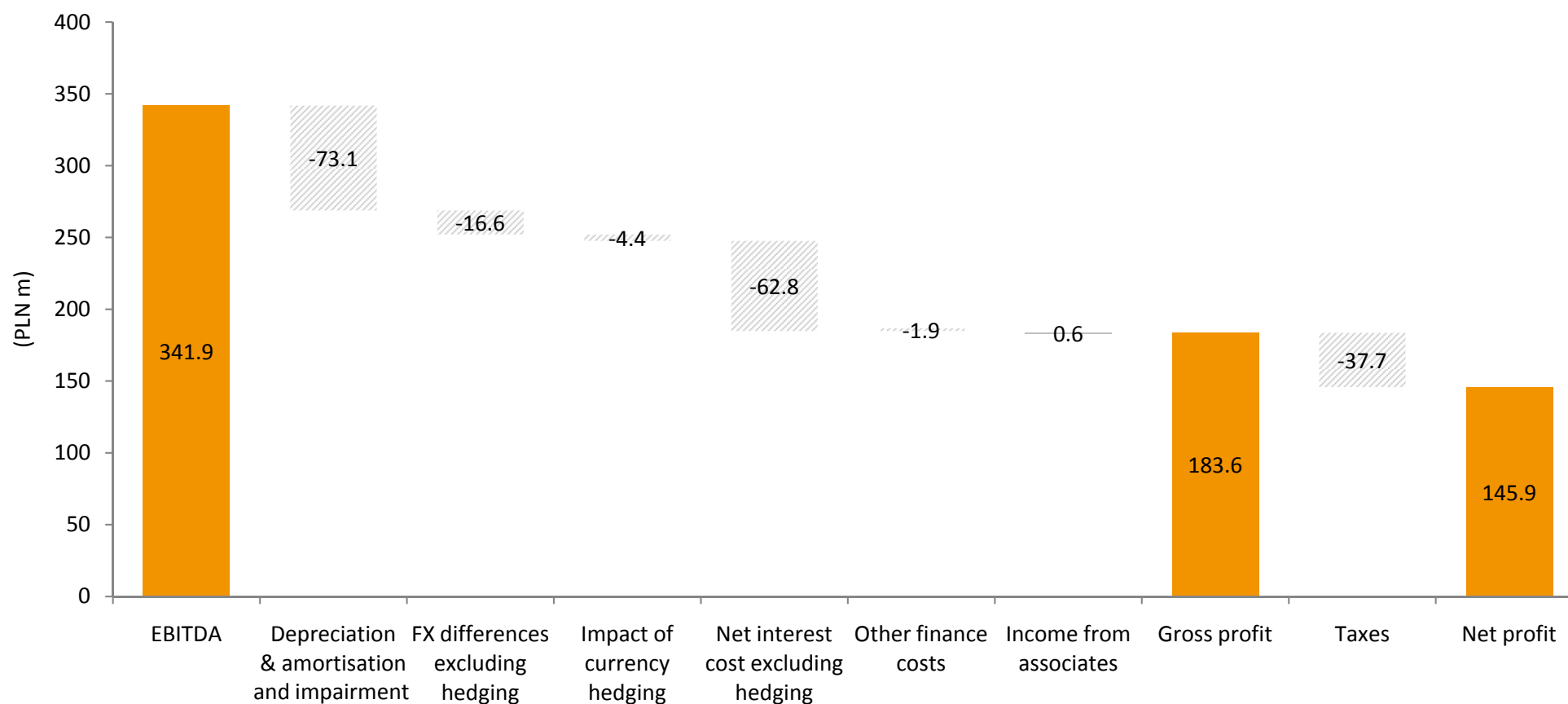


### EBITDA



# Items below EBITDA H1'11

## Amortisation, finance income and costs and taxes – H1'11





# Contact us



Bartłomiej Drywa  
Investor Relations Director  
Phone +48 (22) 356 6004  
Fax. +48 (22) 356 6003  
Email: [bdrywa@cyfrowypolsat.pl](mailto:bdrywa@cyfrowypolsat.pl)

Or visit our website: [www.cyfrowypolsat.pl/inwestor](http://www.cyfrowypolsat.pl/inwestor)