



TELEWIZJA INTERNET TELEFON

Results for Q2'12

30 August 2012

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.

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Introduction

Important events



- Upgrade of our ratings by S&P and Moody's to BB and Ba2, respectively, both with stable outlook
- Prepayment of the Term Loan in the amount of PLN 200 million⁽¹⁾
- Achievement of the foretold 2pp of additional EBITDA margin coming from synergies with TV Polsat
- Launch of mobile TV service "TV Mobilna", based on DTT technology
- Expansion of the reach of our mobile Internet service thanks to cooperation with Polkomtel:
 - HSDPA: to 85% of the population
 - EDGE/GPRS: to 100% of the population



- Agreement with Vectra, a cable television operator, for the distribution of TV Polsat channels
- Implementation of the announced changes in sports channels
- Success of spring schedule of Telewizja Polsat channels

Note: ⁽¹⁾ Prepayment occurred on 29 August 2012

Summary of operational results



- Number of pay digital television subscribers increased by 81 ths (YoY) to 3,553,473
- Number of Internet users increased by 57 ths to 99 ths
- Number of MVNO users increased by 11 ths to 141 ths
- Family Package ARPU amounted to PLN 45.9 and Mini Package ARPU to PLN 13.2
- Churn rate of 9.2%



- Audience share in Q2'12 was 20.0%
- TV advertising market share in Q2'12 stood at 22.5%

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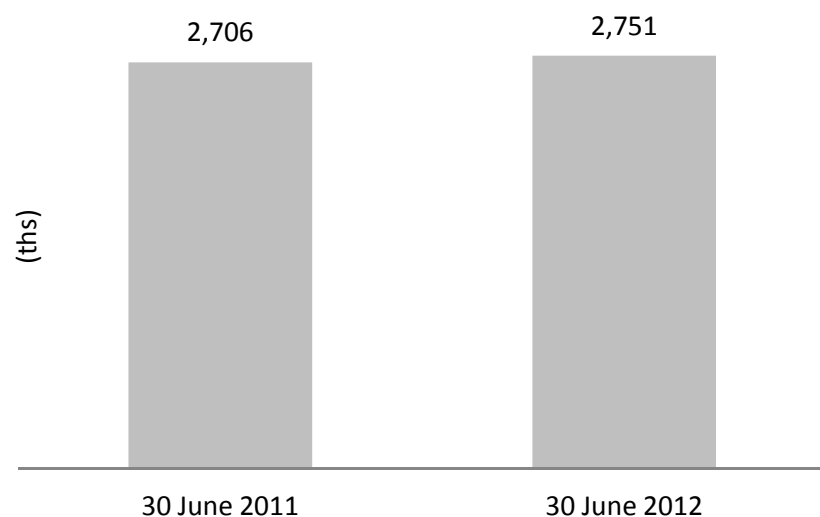
Operational results

Stable subscriber base

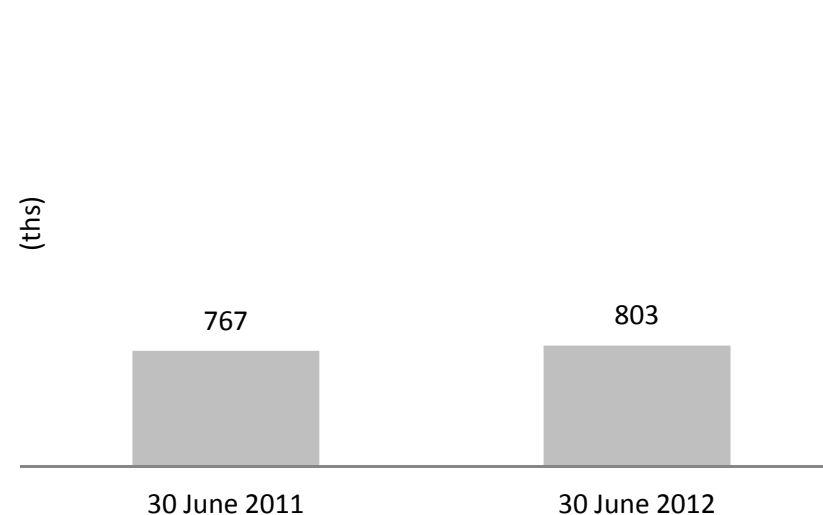


- On annual basis our subscriber base increased by 81 ths to **3.55 million** as of the end of H1'12
- 126 ths gross additions in H1'12⁽¹⁾

Subscribers — Family Package



Subscribers — Mini Package



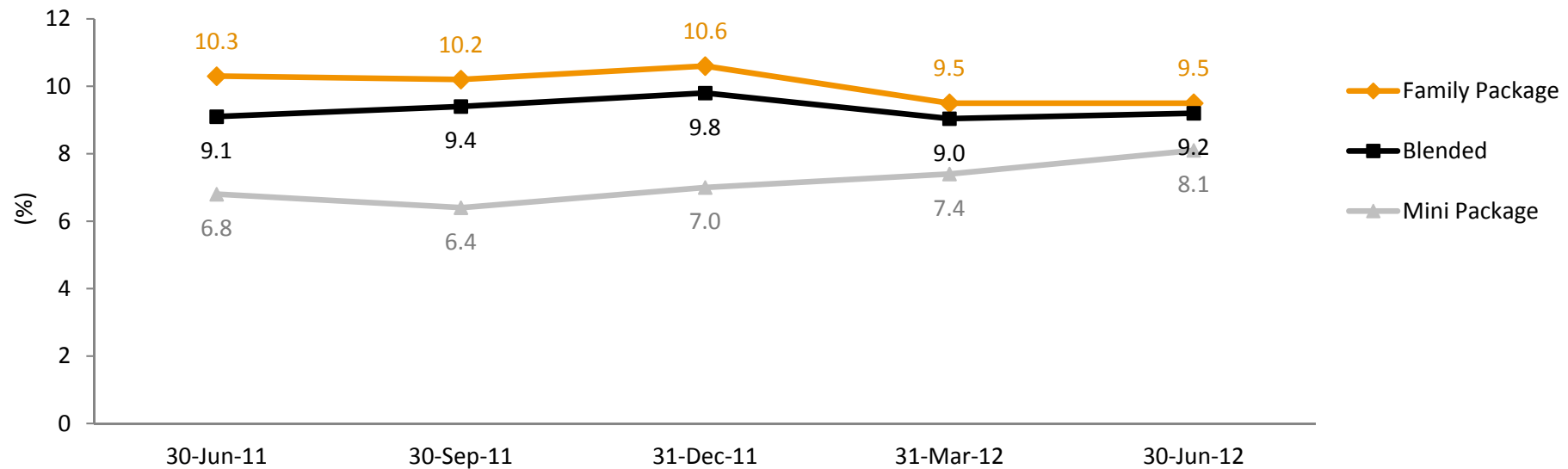
Note: ⁽¹⁾ excluding internal churn

Low churn rate

Stable churn rate (blended) in Q2'12 stood at 9.2% due to:

- High customer satisfaction
- Effective subscriber retention programs

Churn (12 months)



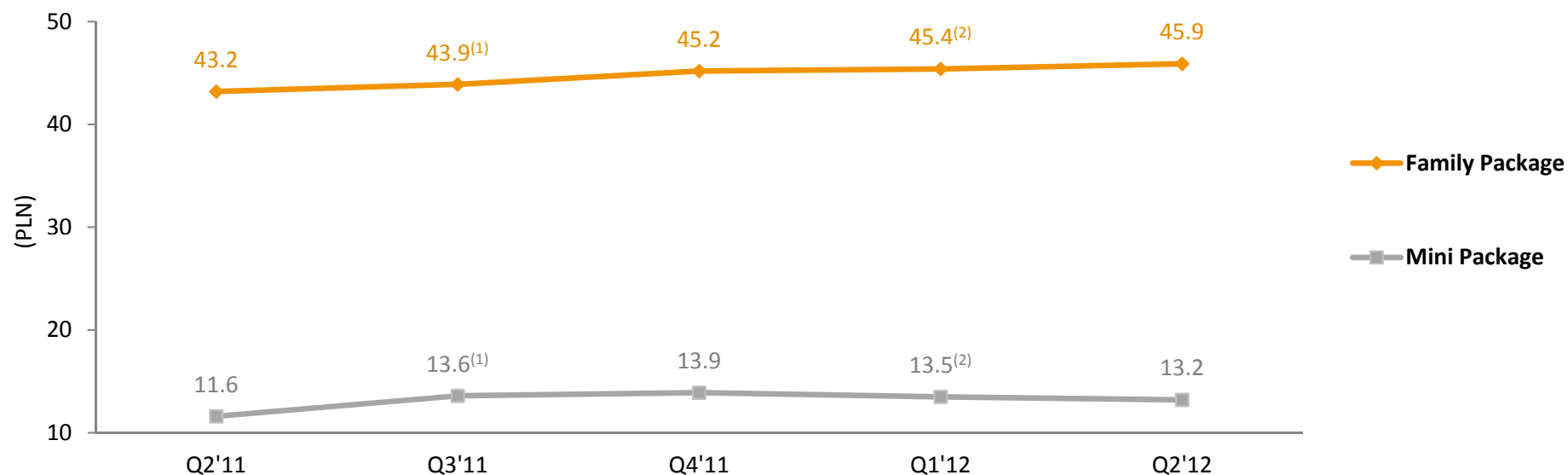
Note: We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end 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.

Increase in ARPU

Family Package ARPU increased to PLN 45.9 in Q2'12

Mini Package ARPU amounted to PLN 13.2 in Q2'12

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.

(1) Rate adjusted for one-off additional income from PPV (Adamek-Klitschko fight).

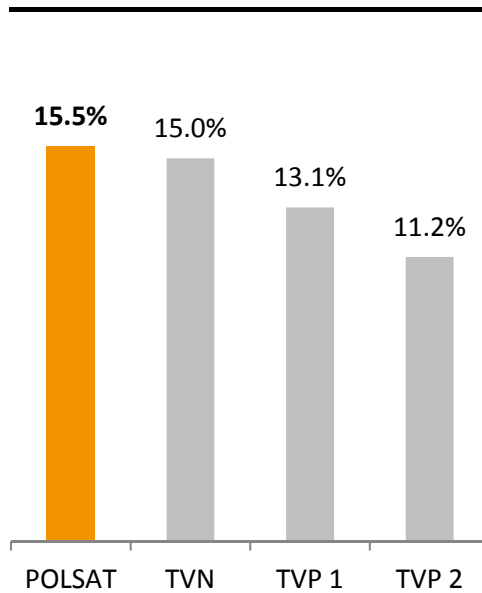
(2) In line with the provisions of IAS 18, starting from the year 2012 the Group recognizes lower revenues from penalties for breaching contracts by the clients due to change of accounting estimates regarding recognition and recoverability of these revenues. This change of estimates does not materially influence the Group's operating results. It causes, however, a slight decrease in ARPU, though not perturbing its stable upward trend.

Audience share (Q2'12)

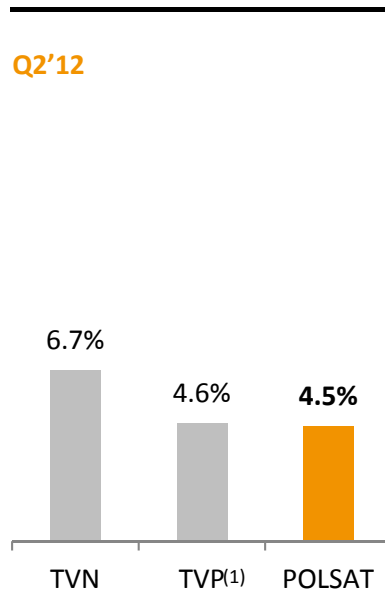
🌐 Increase in TV Polsat Group audience share in the first two months of Q2'12 was more than offset by the impact of transmission from EURO 2012 tournament in public TV channels.

- Main Polsat channel was the leader of audience share
- Audience share of Polsat thematic channels in Q2'12 increased to 4.5%

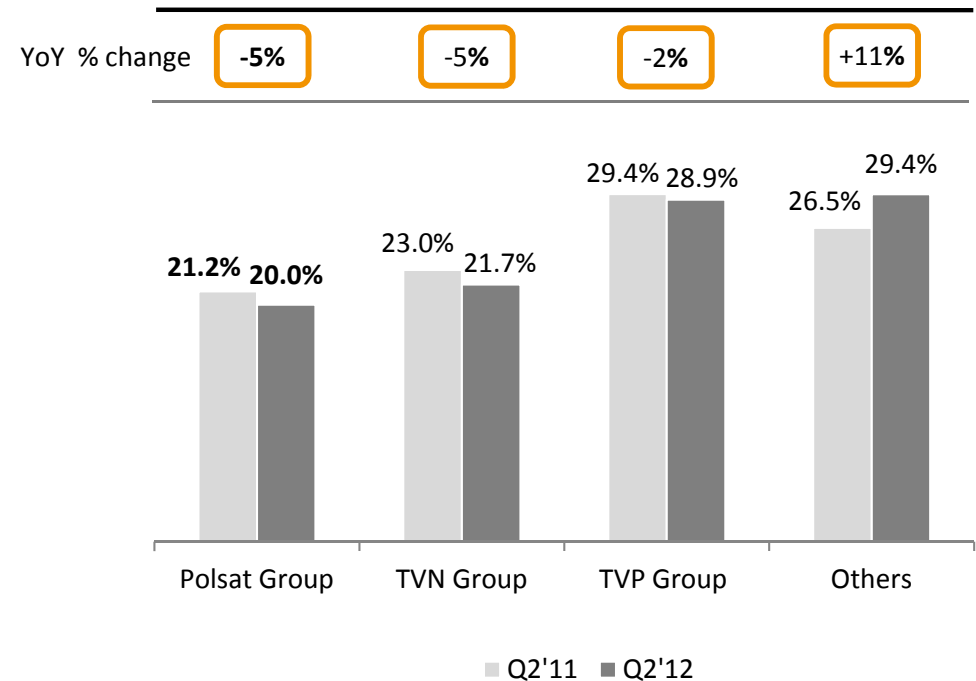
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



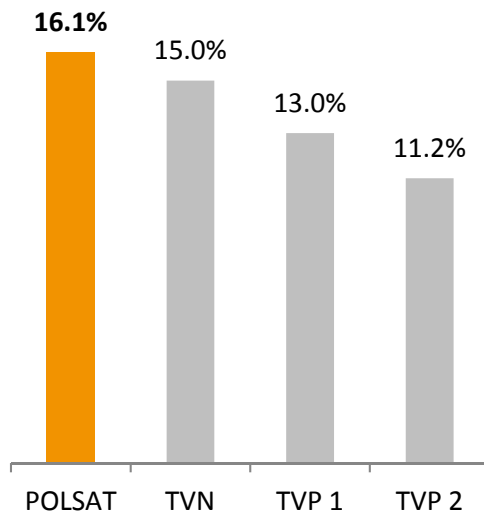
Source: NAM, All 16-49, all day, SHR%; internal analysis
 Note: (1) Includes a nationwide DTT channel TVP Info, whose audience share is 2.1%

Growth in audience share (H1'12)

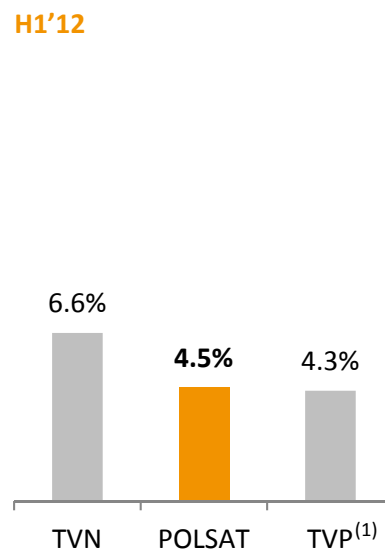
TV Polsat Group was the only major TV Group to increase its audience share

- Audience share in H1'12 increased by 1.2% (YoY) to 20.6%
- Main Polsat channel was the leader with 16.1% audience share
- Audience share of Polsat thematic channels in H1'12 increased by 12.7% (YoY) to 4.5%

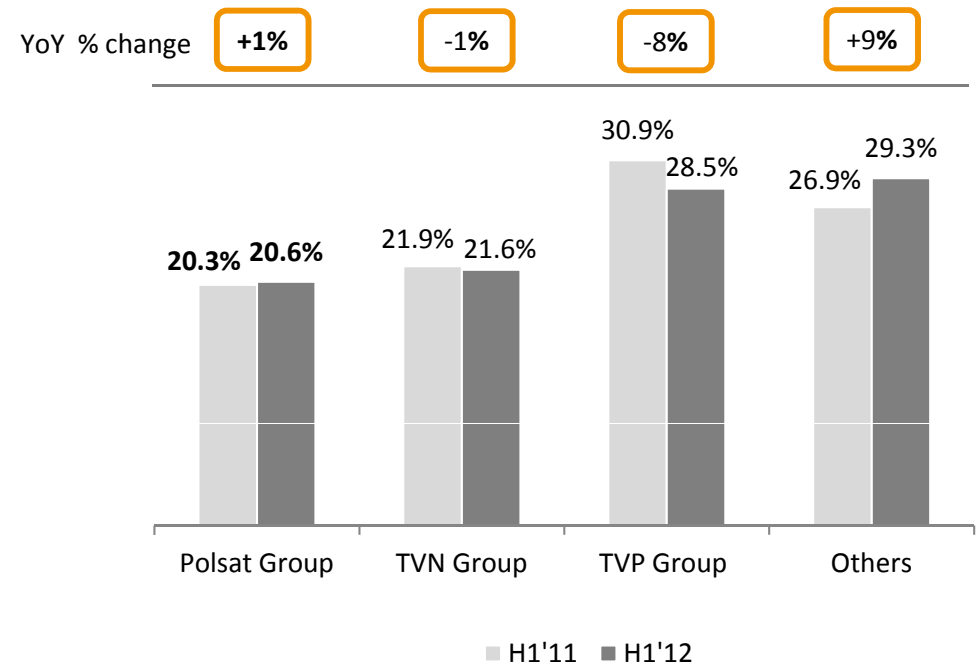
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



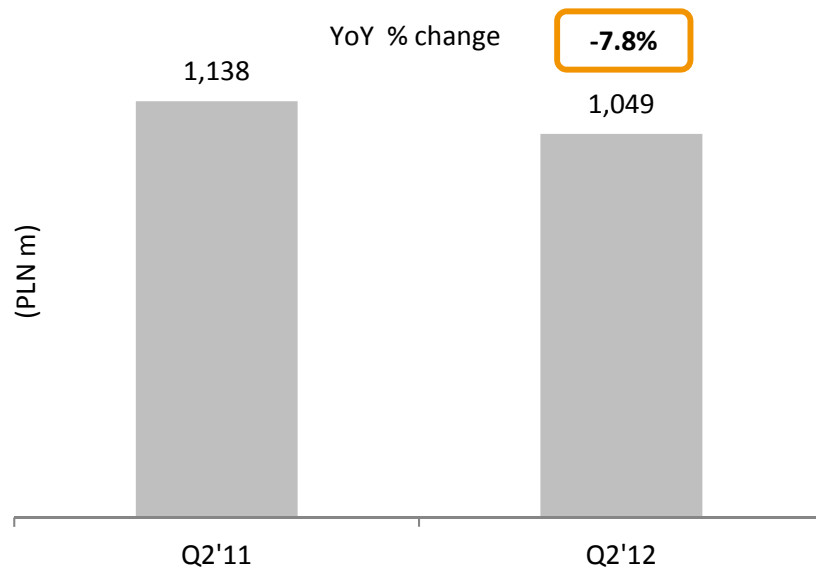
Source: NAM, All 16-49, all day, SHR%; internal analysis
 Note: (1) Includes a nationwide DTT channel TVP Info, whose audience share is 2.1%

Stable TV ad market share (Q2'12)

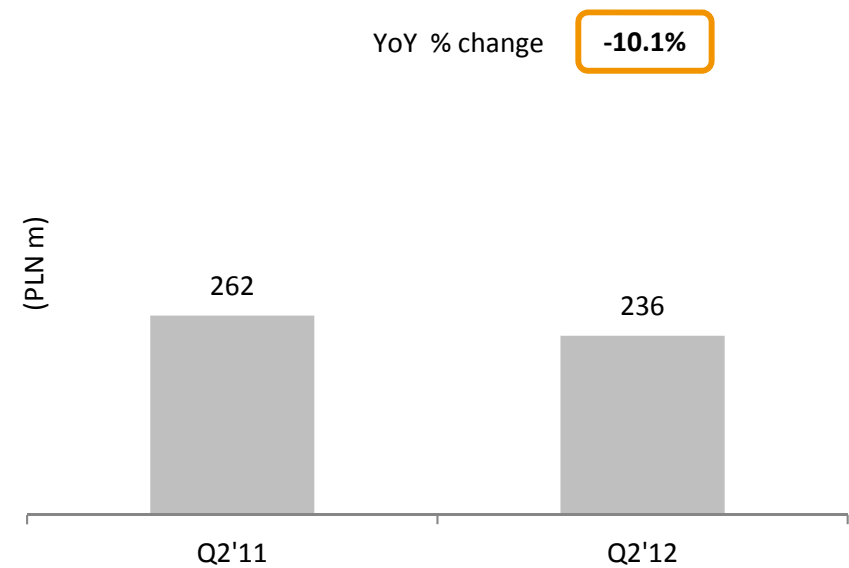


- TV advertising and sponsoring market in Q2'12 declined by 7.8% (YoY)
- Revenue from advertising and sponsoring of TV Polsat Group decreased by 10.1% and its market share in Q2'12 was 22.5%

Expenditures on TV advertising and sponsoring



Revenue from advertising and sponsoring of TV Polsat Group⁽¹⁾



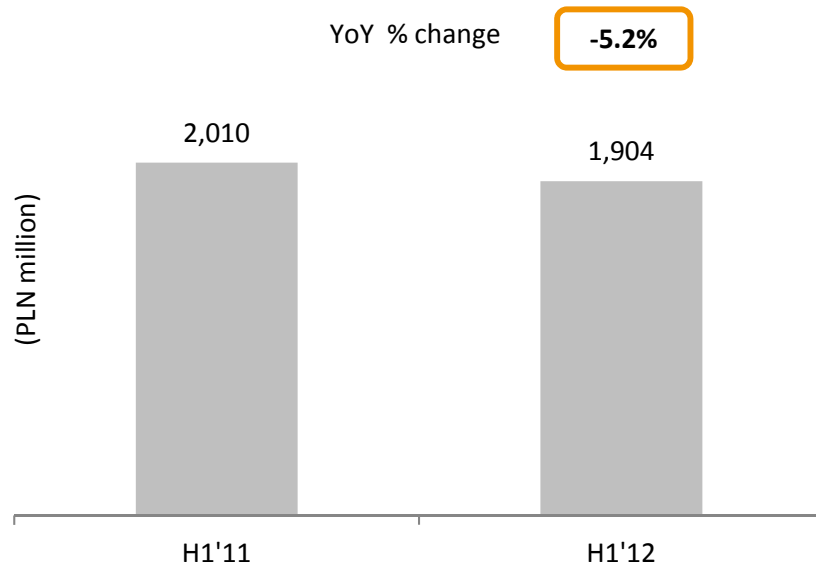
Source: Starlink, airtime and sponsoring; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsoring of TV Polsat Group according to Starlink's definition

Growth in TV ad market share (H1'12)

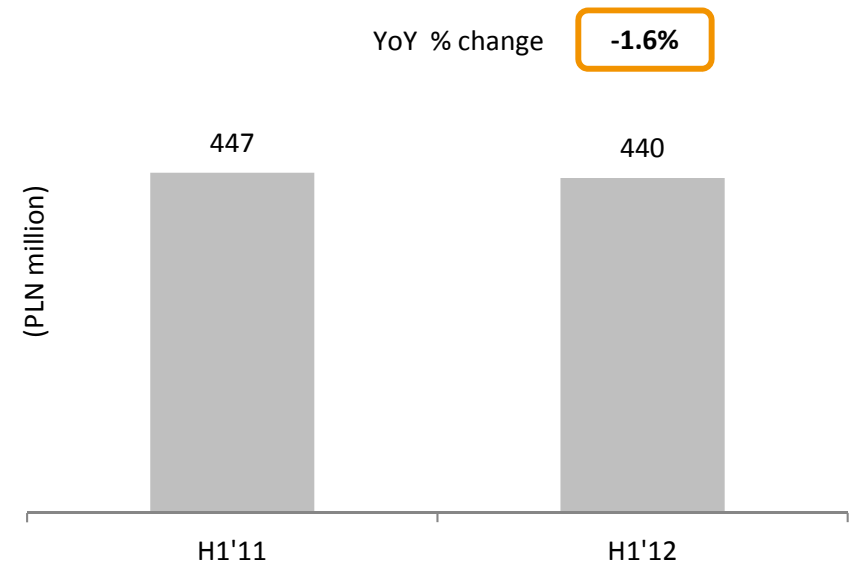


- TV advertising and sponsoring market in H1'12 declined by 5.2% (YoY)
- Revenue from advertising and sponsoring of TV Polsat Group decreased by only 1.6% and its market share in H1'12 increased from 22.3% to 23.1%

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

Very good financial results of the Group (Q2'12)



in PLN m	Q2 2012 ⁽¹⁾	YoY change		
Revenue	715	↑	14%	<ul style="list-style-type: none"> The increase in revenue and EBITDA mainly due to organic growth of retail business segment and full period of consolidation of TV Polsat Group
Costs ⁽²⁾	445	↑	8%	
EBITDA	270	↑	24%	<ul style="list-style-type: none"> Strong EBITDA margin due to consistent cost control and increasing synergy effects
EBITDA margin	37.8%	↑	3.2pp	<ul style="list-style-type: none"> Net profit reflects the costs of debt service and the negative effect of Senior Notes valuation
Net profit	100	↑	43%	

Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Financial results for 2012 include results of TV Polsat Group which were consolidated in 2011 since 20 April 2011

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

Record results of the „old” Cyfrowy Polsat¹ (Q2'12)



in PLN m	Q2 2012	YoY change		
Revenue	441	↑	11%	• The highest in the history revenue from retail sales thanks to steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	271	↓	-2%	• Costs under control despite the negative impact of foreign exchange rates y/y
EBITDA	169	↑	41%	• The second quarter in a row with the highest ever EBITDA of Cyfrowy Polsat
EBITDA margin	38.4%	↑	8.1pp	• Net profit reflects the costs of debt service and the negative effect of Senior Notes valuation
Net profit	35	↓	-82%	

Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Excluding the newly acquired companies: Telewizja Polsat Sp. z o.o. (April 20, 2011), INFO-TV FM (January 30, 2012) and shares of entities running ipla platform (April 2, 2012)

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

High EBITDA margin of TV Polsat Group despite EURO 2012 and declining TV advertising market in Q2'12

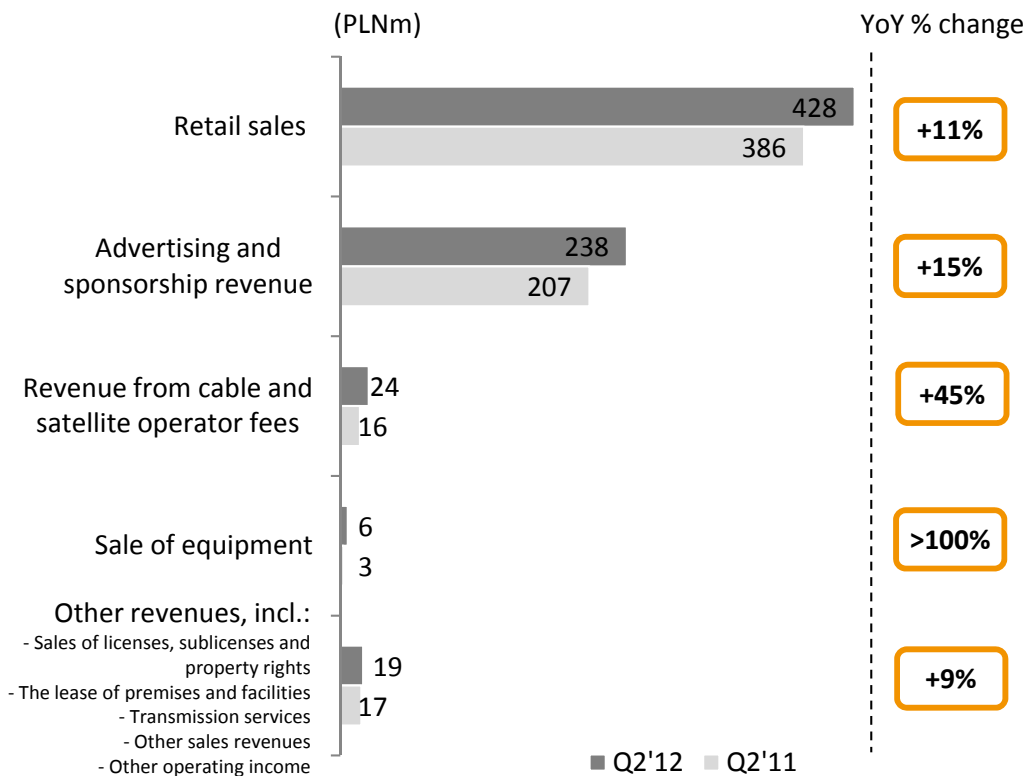


in PLN m	Q2 2012	YoY change	
Revenue	296	↓ -7%	⚙️ The decline in revenue from advertising and sponsorship partially compensated by increased revenue from cable and satellite operator fees
Costs ⁽¹⁾	191	↓ -5%	
EBITDA	105	↓ -8%	⚙️ Decrease in costs mainly due to lower programming costs
EBITDA margin	35.6%	↓ -0.7pp	⚙️ Net profit reflects the result of foreign exchange losses compared to the previous year
Net profit	72	↓ -21%	

Source: Telewizja Polsat Sp. z o.o. and internal analysis
 Note: (1) Costs do not include depreciation, amortization and impairment

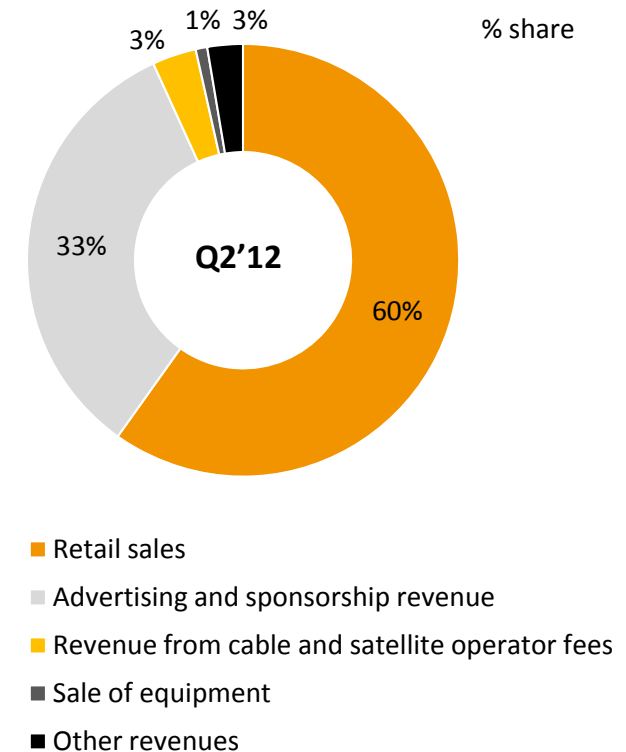
Revenue structure (Q2'12)

Revenue in Q2'12 vs. Q2'11



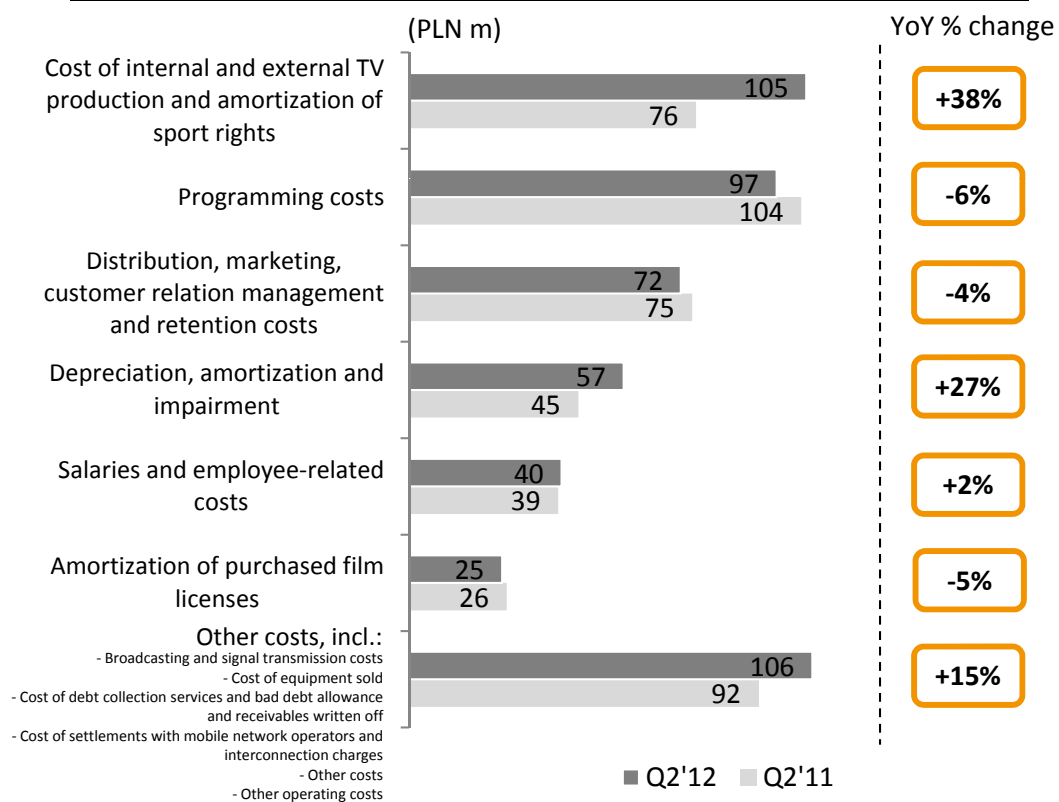
Total
 Q2'12 PLN 715 m
 Q2'11 PLN 629 m | **+14%**

Revenue breakdown



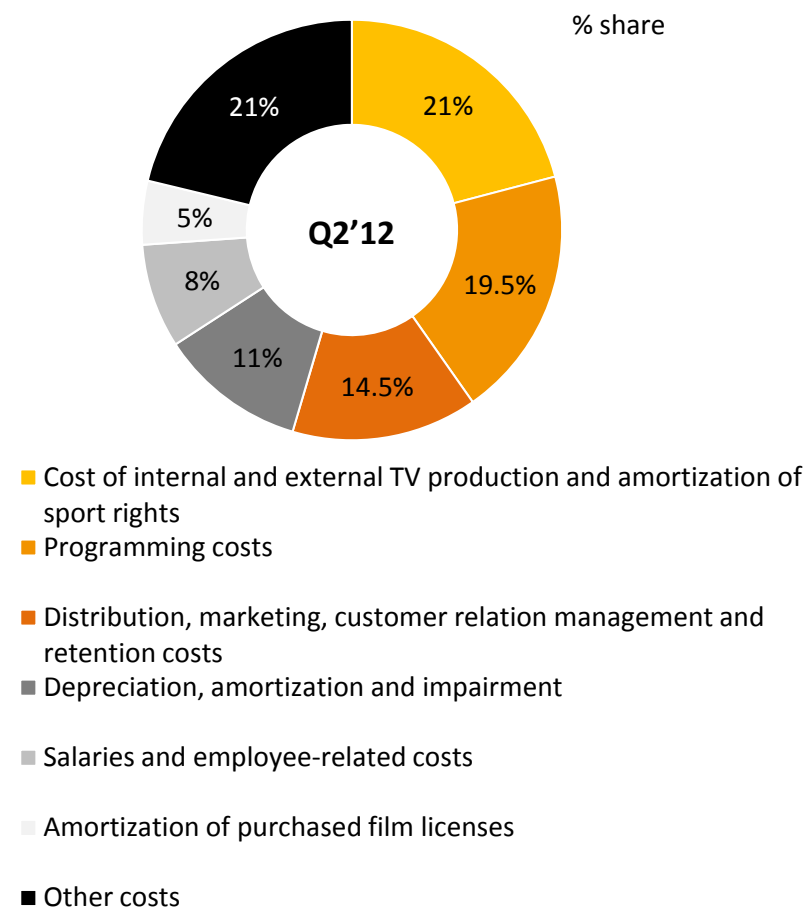
Cost structure (Q2'12)

Operating costs in Q2'12 vs. Q2'11



Total
 Q2'12 PLN 502 m | +10%
 Q2'11 PLN 457 m

Operating costs breakdown

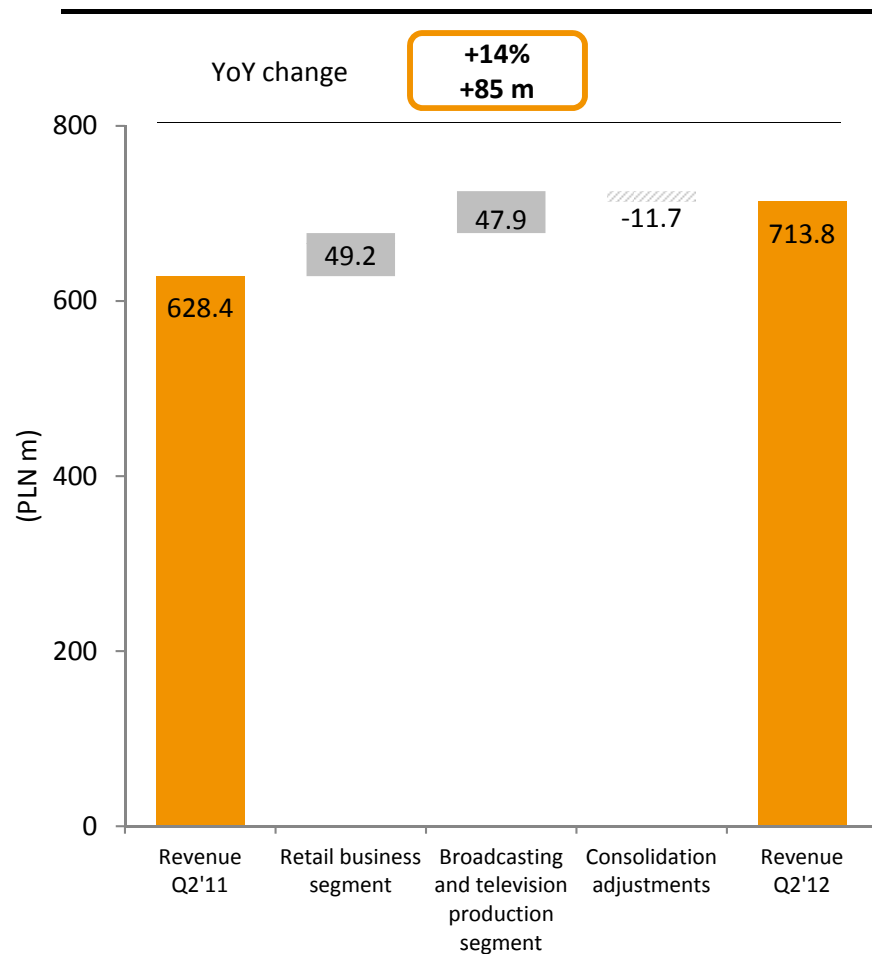


Revenue and EBITDA

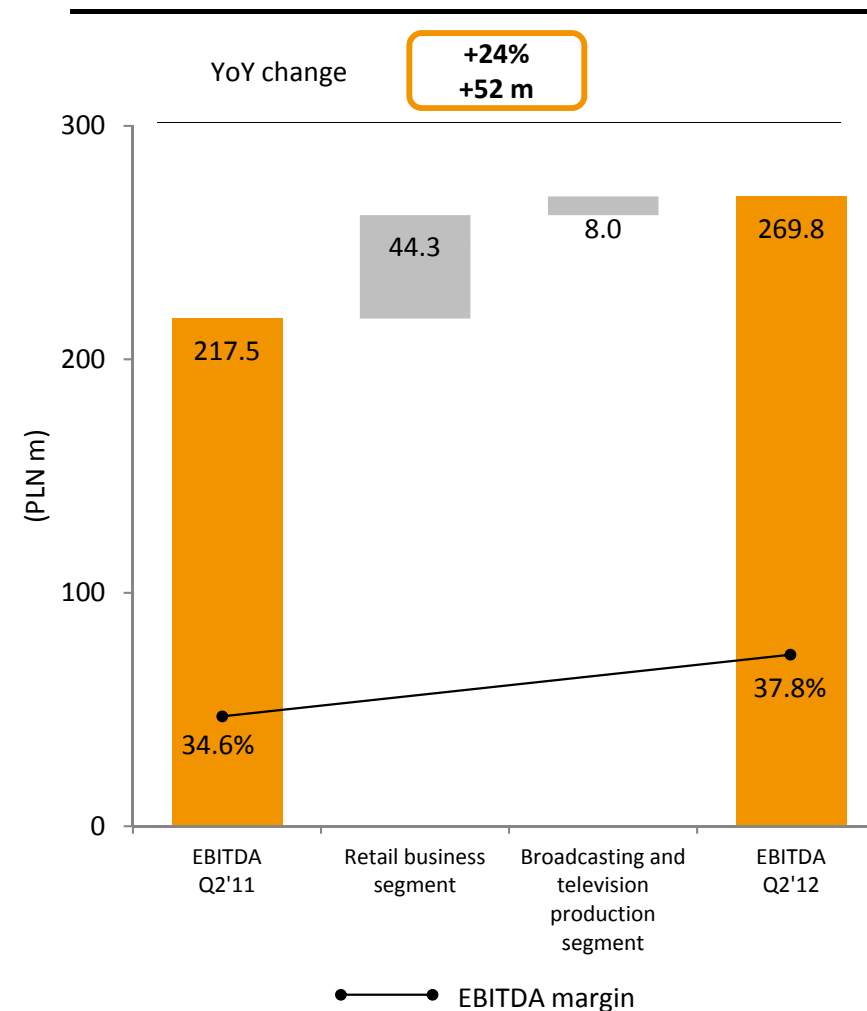
Growth drivers (Q2'12)



Revenue⁽¹⁾



EBITDA



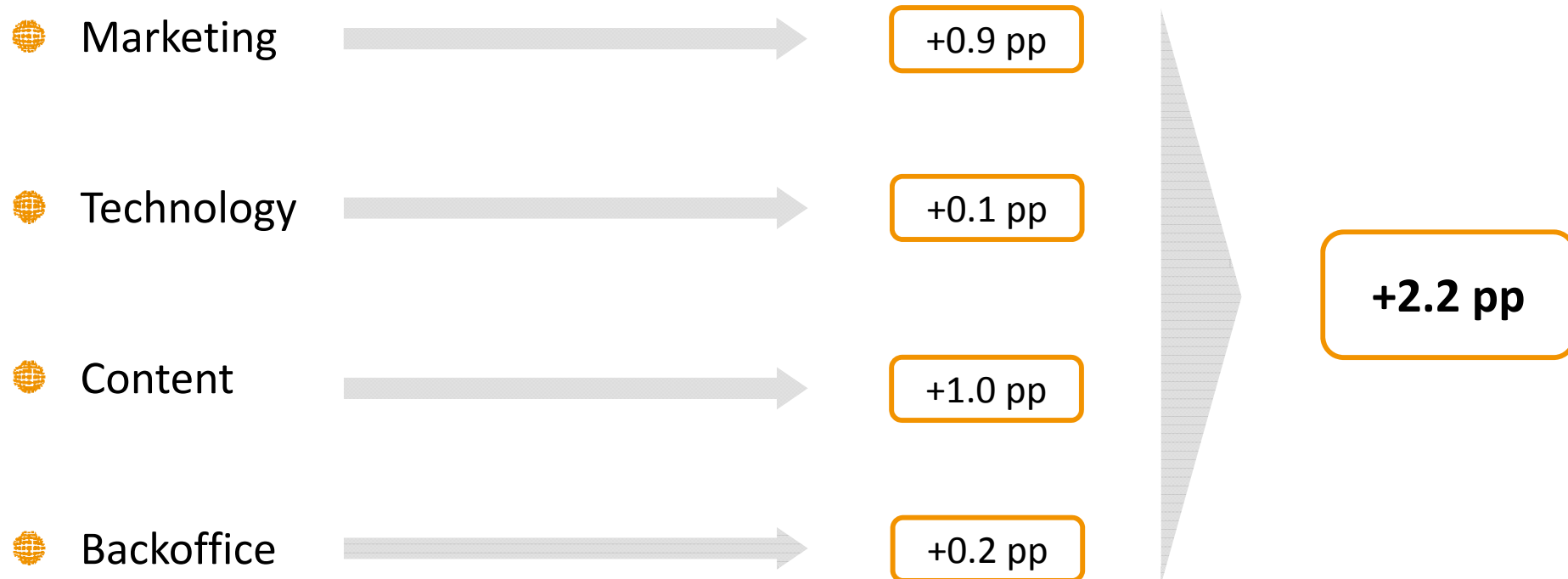
Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Revenue does not include „Other operating income”

Synergies achieved with TV Polsat

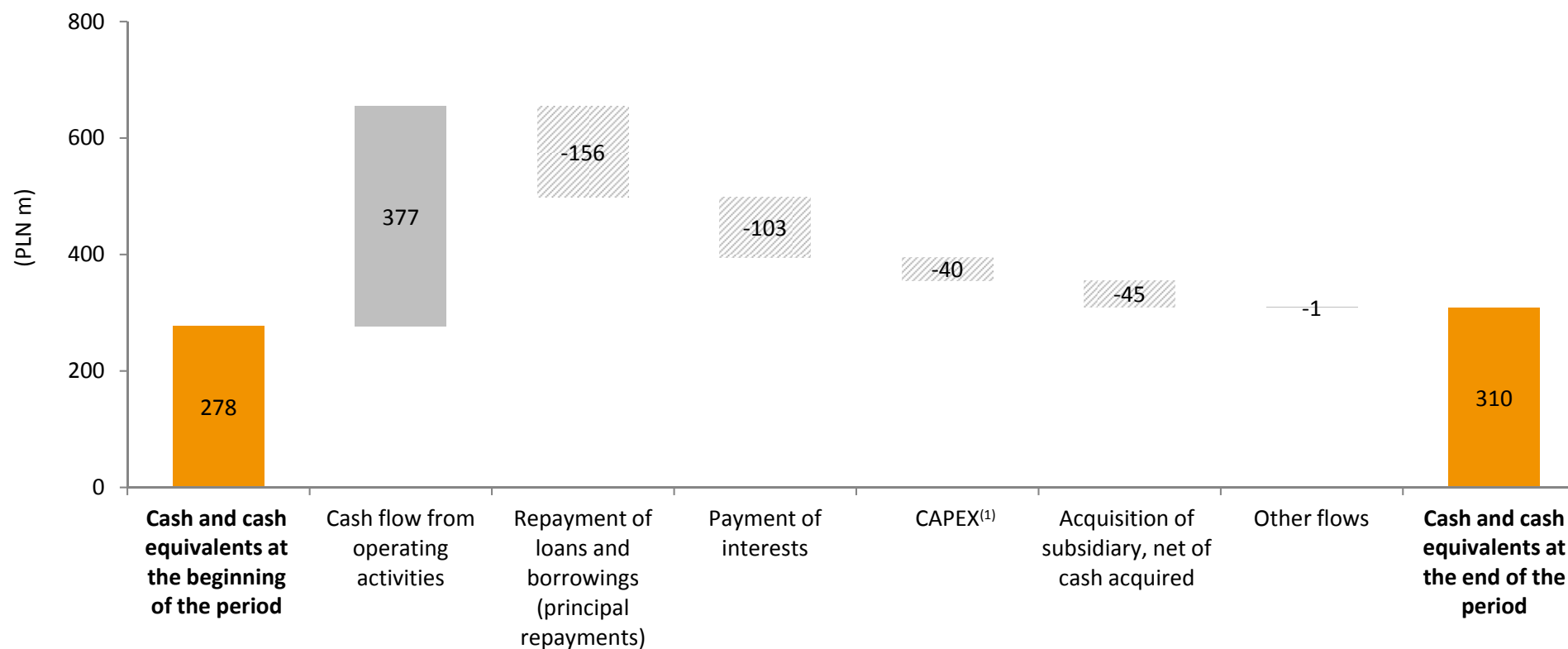


Synergies following the acquisition of TV Polsat were achieved faster than the Company had envisaged on the announcement of the transaction...



... and on annual basis translated into improved pro forma EBITDA margin by 2.2pp

Net cash flow, cash position and debt – H1'12

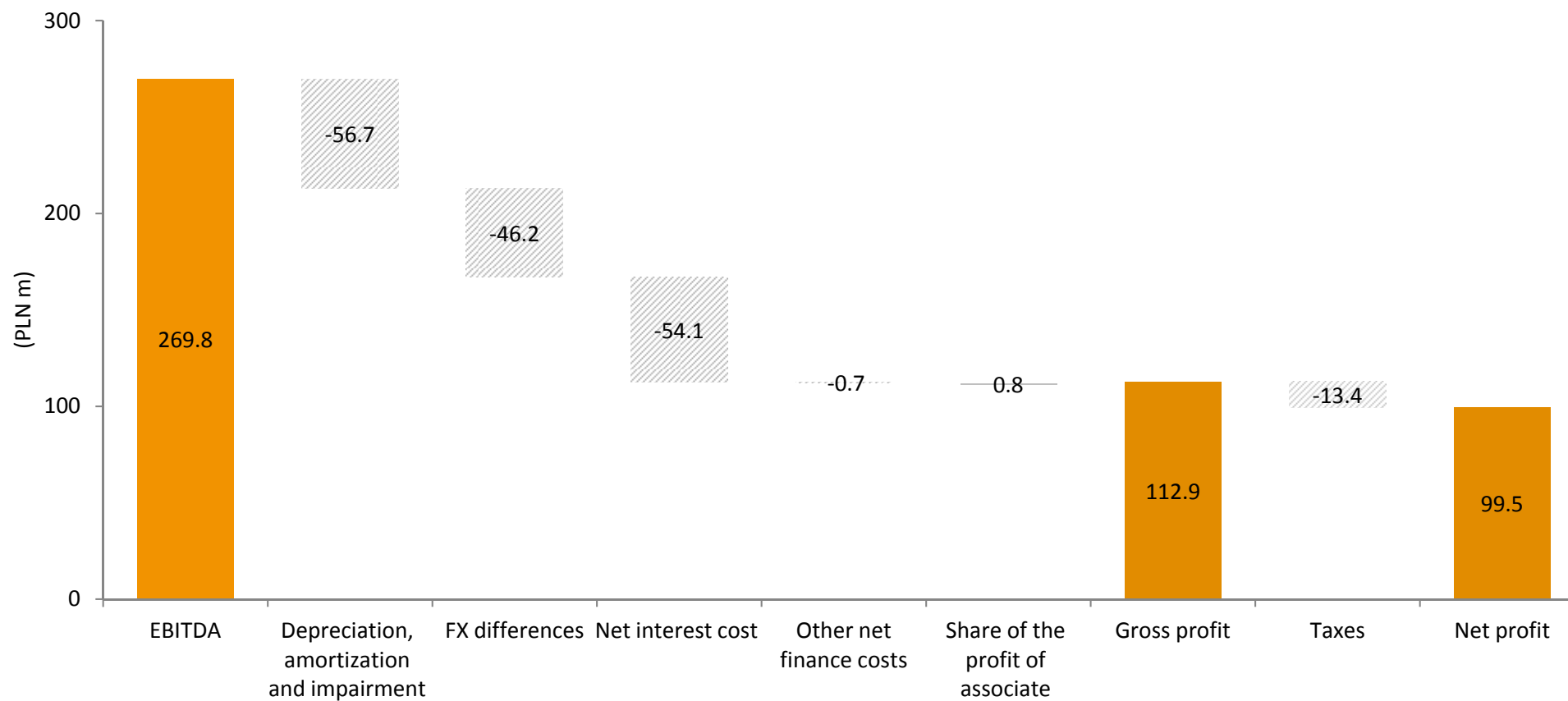


Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

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

Items below EBITDA (Q2'12)

Depreciation, amortization, finance income and costs and taxes – Q2'12



Financial indebtedness

in PLN m	30.06.2012	Maturity
Senior facility ⁽¹⁾	1,155	2015
Senior Notes ⁽¹⁾	1,471	2018
Finance lease	1	2016
Cash and equivalents	310	-
Net Debt	2,317	
Comparable 12M EBITDA ⁽²⁾	921	
Net Debt / 12M EBITDA	2.52	

Currency structure of debt



Senior Notes Rating

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

Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Carrying amount value of debt outstanding

(2) EBITDA including Telewizja Polsat Group

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Appendix

Very good financial results of the Group (H1'12)



in PLN m	H1 2012 ⁽¹⁾	YoY change		
Revenue	1,385	↑	33%	• The increase in revenue and EBITDA mainly resulting from consolidation of TV Polsat Group
Costs ⁽²⁾	858	↑	23%	• Strong EBITDA margin due to consistent cost control and increasing synergy effects
EBITDA	527	↑	54%	
EBITDA margin	38.1%	↑	4.9pp	• Net profit under the influence of finance costs related to financing of the acquisition of TV Polsat balanced by gains on valuation of senior notes denominated in EUR
Net profit	305	↑	109%	

Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Financial results for 2012 include results of TV Polsat Group which were consolidated in 2011 since 20 April 2011

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

Record results of the „old” Cyfrowy Polsat¹ (H1'12)



in PLN m	H1 2012	YoY change		
Revenue	876	↑	9%	• The highest in the history revenue from retail sales thanks to steadily increasing ARPU
Costs ⁽²⁾	542	↓	-4%	• Decrease in costs despite the negative impact of foreign exchange rates y/y
EBITDA	335	↑	37%	• The highest semi-annual EBITDA in the history of Cyfrowy Polsat, which confirms the resilience of our business model
EBITDA margin	38.3%	↑	7.7pp	
Net profit	464	↑	72%	• Significant impact of dividend from TV Polsat on the net profit

Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Excluding the newly acquired companies: Telewizja Polsat Sp. z o.o. (April 20, 2011), INFO-TV FM (January 30, 2012) and shares of entities running ipla platform (April 2, 2012)

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

Stable financial results of TV Polsat (H1'12)



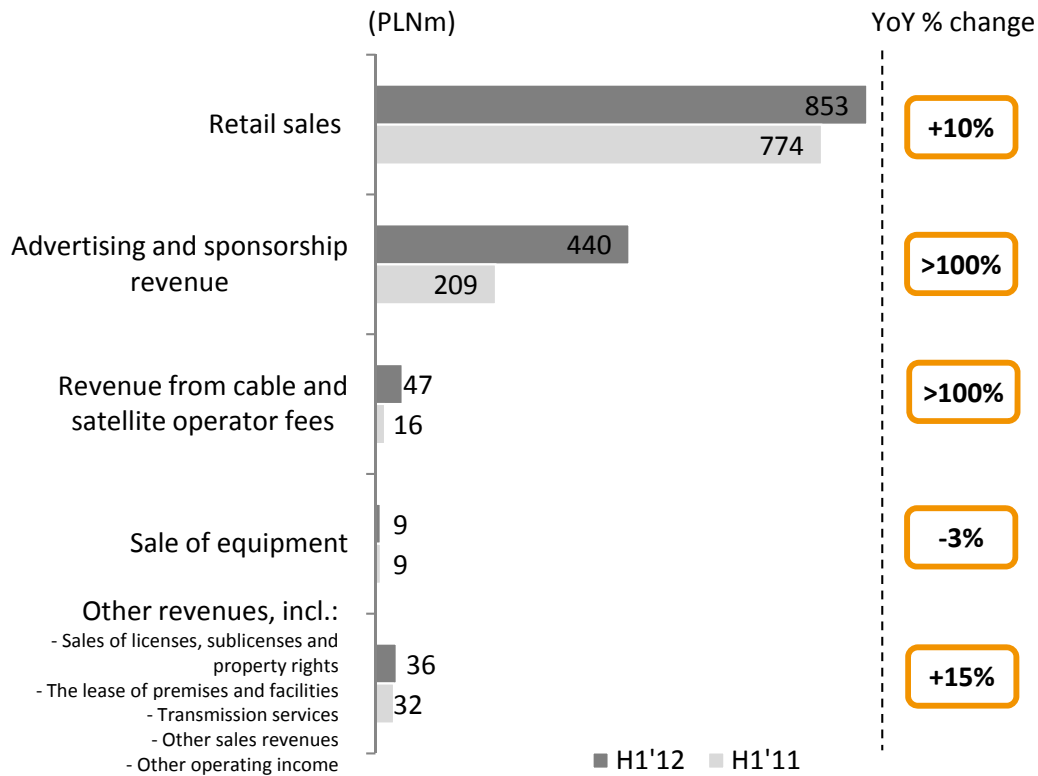
in PLN m	H1 2012	YoY change		
Revenue	559	↑	1%	<ul style="list-style-type: none"> Significant increase in revenue from satellite and cable operator fees partially compensated by decline in advertising and sponsorship revenue
Costs ⁽¹⁾	362	↓	-2%	
EBITDA	197	↑	7%	<ul style="list-style-type: none"> A slight decrease in costs mainly due to lower programming costs
EBITDA margin	35.3%	↑	2.0pp	<ul style="list-style-type: none"> Increase in EBITDA margin as a result of TV Polsat record results achieved in the first quarter of the year
Net profit	146	↑	8%	

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

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

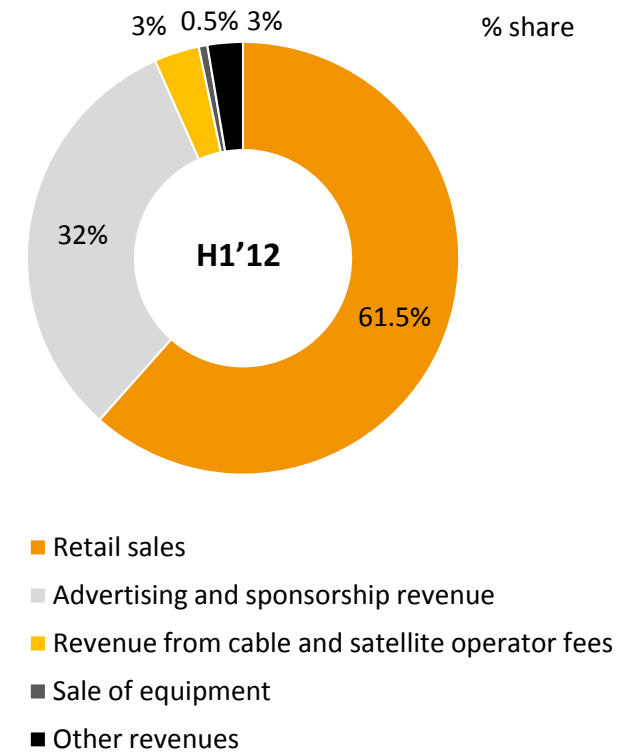
Revenue structure (H1'12)

Revenue in H1'12 vs. H1'11



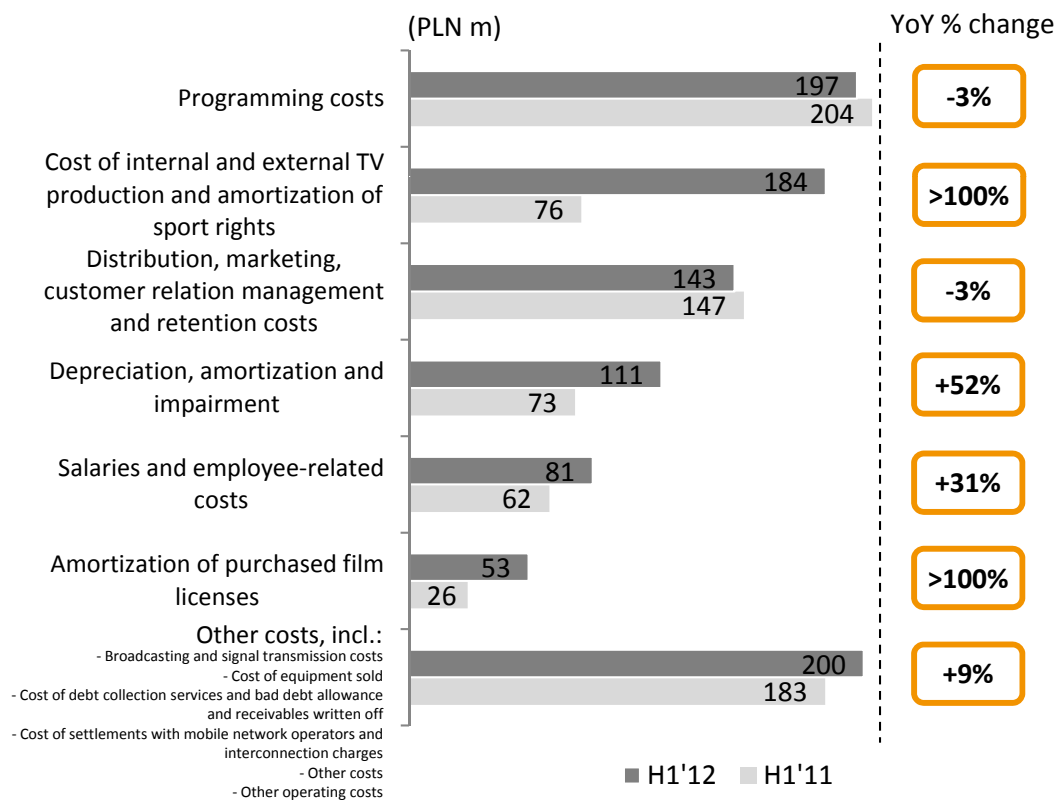
Total
 H1'12 PLN 1,385 m | +33%
 H1'11 PLN 1,040 m

Revenue breakdown



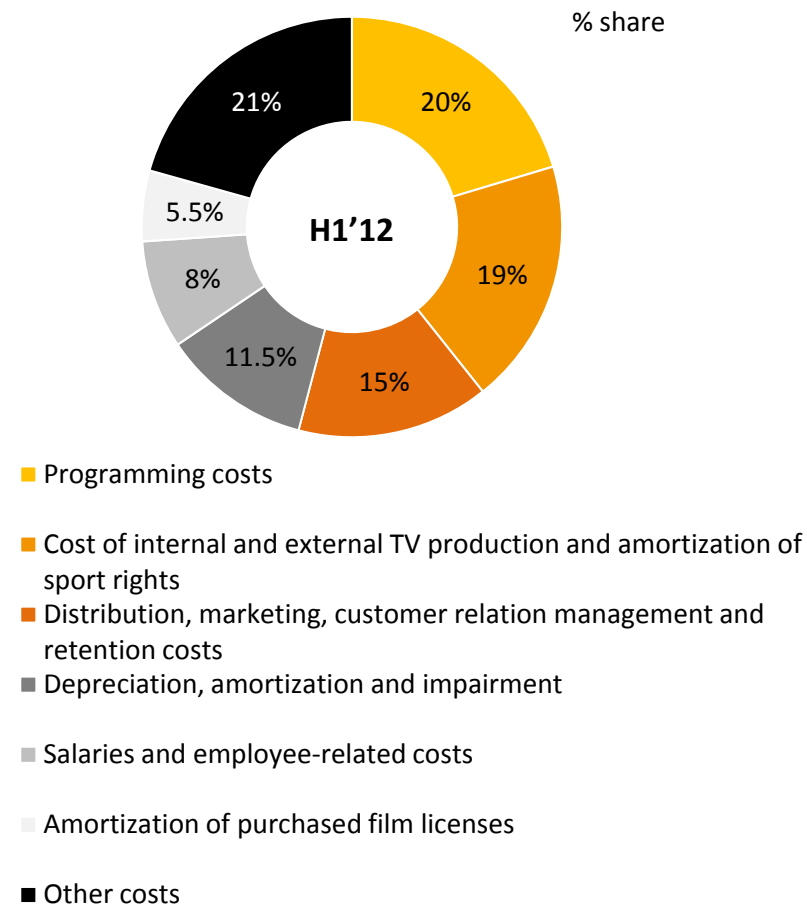
Cost structure (H1'12)

Operating costs in H1'12 vs. H1'11



Total
 H1'12 PLN 969 m
 H1'11 PLN 771 m | **+26%**

Operating costs breakdown

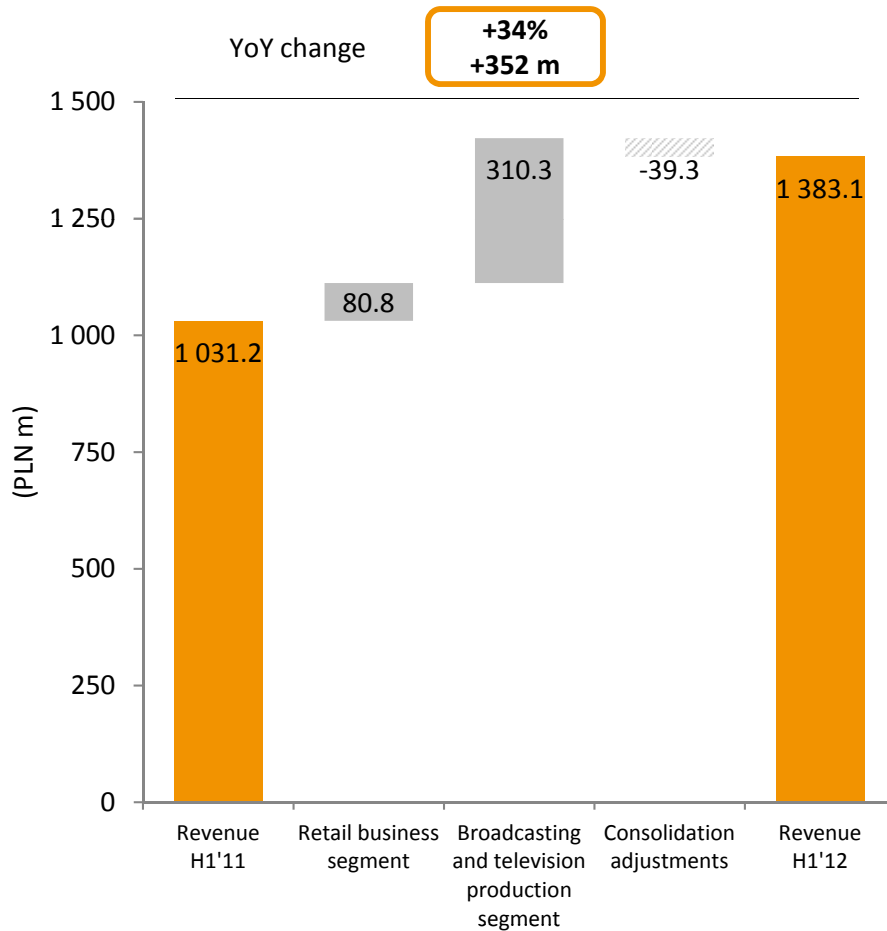


Revenue and EBITDA

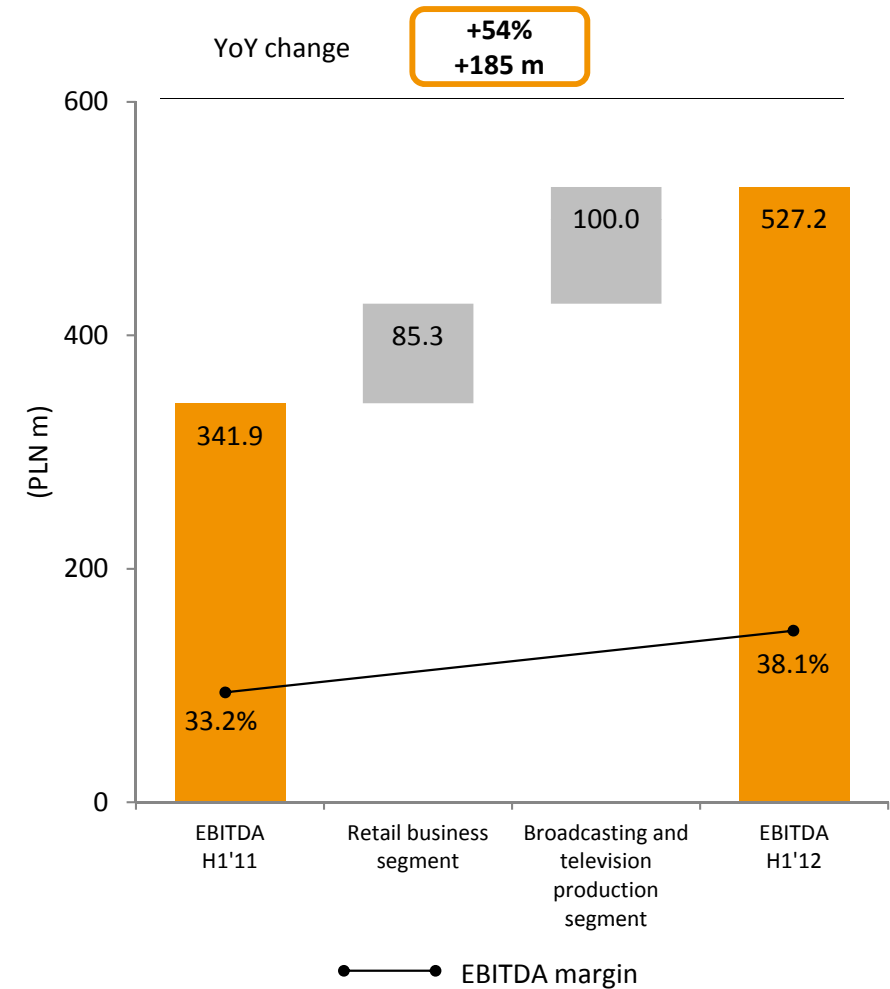
Growth drivers (H1'12)



Revenue⁽¹⁾



EBITDA

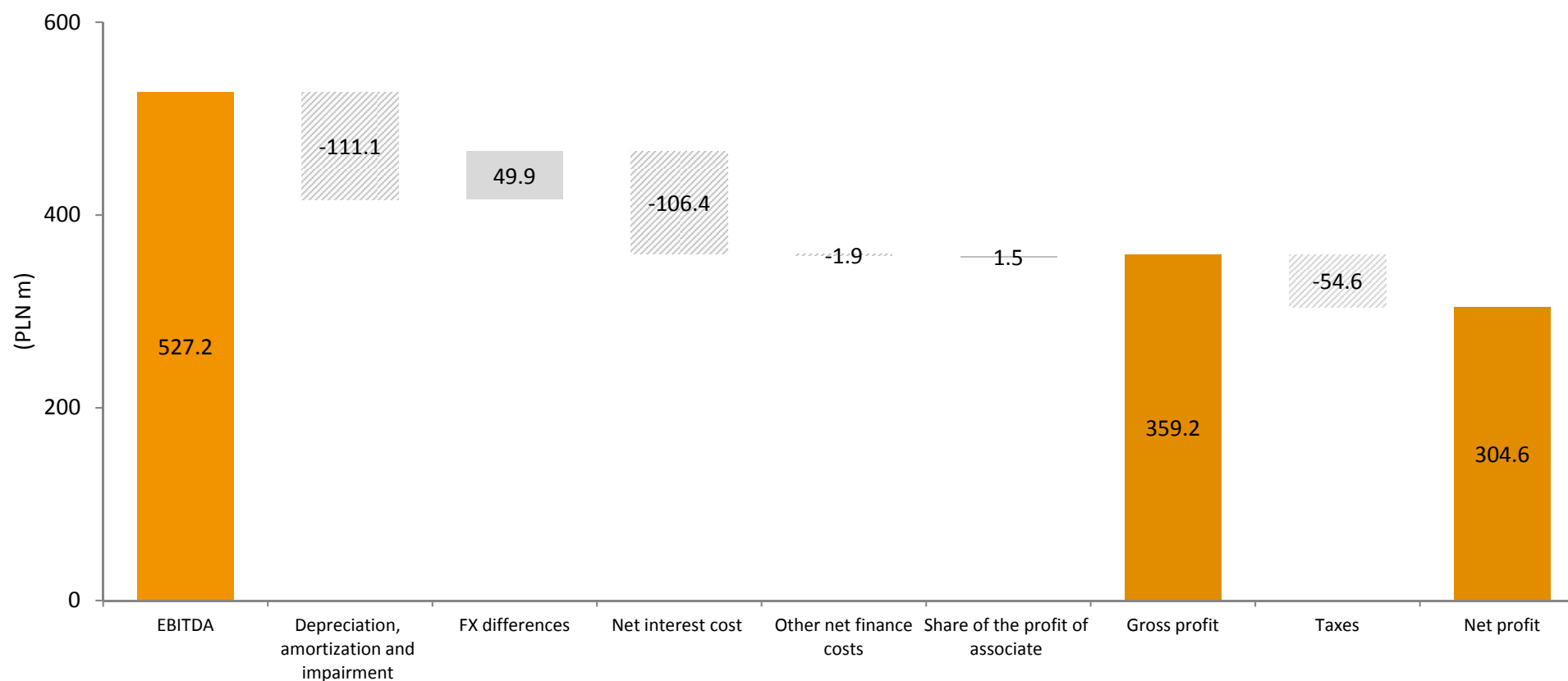


Source: Interim condensed consolidated financial statements for the 3 and 6 months ended 30 June 2012 and internal analysis

Note: (1) Revenue does not include „Other operating income”

Items below EBITDA (H1'12)

Depreciation, amortization, finance income and costs and taxes – H1'12



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Q&A

Contact us



Bartłomiej Drywa

Investor Relations Director

Phone +48 (22) 356 6004

Fax. +48 (22) 356 6003

Email: bdrywa@cyfrowypolsat.pl

Or visit our website: www.cyfrowypolsat.pl/inwestor