



TELEWIZJA INTERNET TELEFON

Results for Q3'12

14 November 2012

Disclaimer



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Introduction



- Renegotiation of terms and conditions of data transfer services rendered to Cyfrowy Polsat by Mobyland
 - Reduction of the net rate for 1MB from 0.903 grosz to 0.645 grosz
 - 31 million GB package secures our medium term business plans
 - Possibility of creating a more attractive offer
- Development of the offer for retail customers:
 - LTE Internet speed increased to 150 Mb/s
 - Larger and cheaper data packages in our Internet offer
 - Further transmissions of sport events in PPV
- Finalization of changes in ipla Internet television
- EPS ratio higher than before the acquisition of TV Polsat

Important events, cont.



- Good results of autumn schedule of TV Polsat
- Acquisition of sport rights to broadcast all games of Polish national football team until 2014
- Start of distribution of TV Polsat thematic channels in Vectra cable television
- Launch of cooperation with BBC Worldwide Channels concerning sale of advertising time by Polsat Media

Summary of operational results



- Number of pay digital television subscribers increased by 52 ths (YoY) to 3,557,888 at the end of Q3
- In Q3 Family Package ARPU increased to PLN 47.1 and Mini Package ARPU amounted to PLN 13.4
- Stable churn rate of 9.1%



- Audience share in Q3'12 was 20.1%
- TV advertising market share in Q3'12 increased to 23.1%

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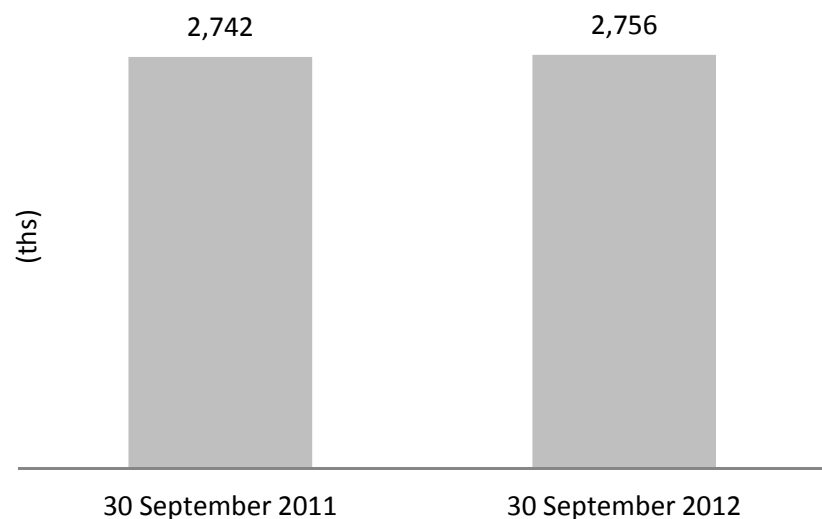
Operational results

Stable subscriber base

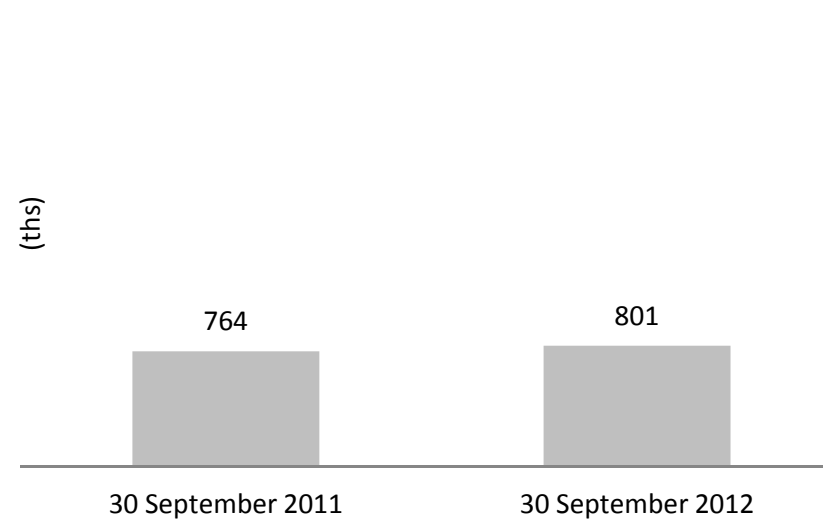


- On annual basis our subscriber base increased by 52 ths to **3.56 million** as of the end of Q3'12
- 206 ths gross additions in 9M'12⁽¹⁾

Subscribers — Family Package



Subscribers — Mini Package



Note: ⁽¹⁾ excluding internal churn

Growing importance of new services



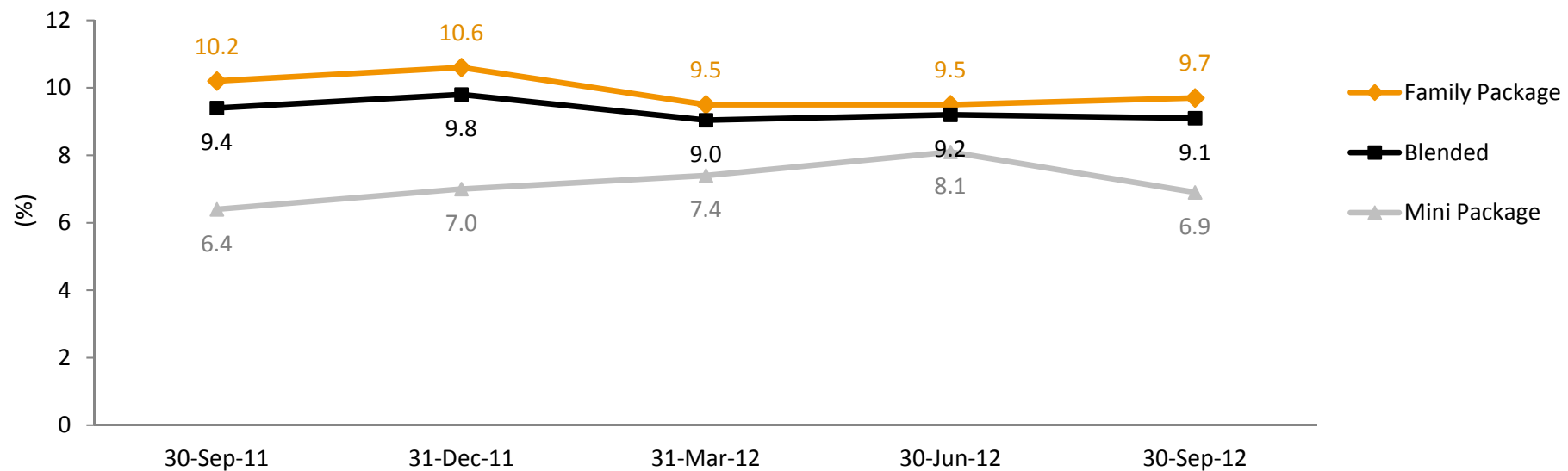
- Number of Internet users increased by 63 ths (YoY) to 117 ths
 - Growth dynamics of Internet service subscribers' base reflects the pace of development of the network
- The total number of mobile telephony users increased by 8 ths (YoY) to 144 ths⁽¹⁾
- Over 60% of our customers use HD set-top boxes
- Approximately 10% of our customers have Multiroom service
- Significant sale of DVB-T set-top boxes
- Increasing popularity of ipla service even before the changes being implemented to the product:
 - Average monthly number of active users⁽²⁾ in Q3'12 was about 1.6 million
 - Approximately 10% of the total sales of events in PPV was delivered by ipla

Low churn rate

● Stable churn rate (blended) in Q3'12 stood at 9.1% due to:

- High customer satisfaction
- Effective subscriber retention programs

Churn (12 months)

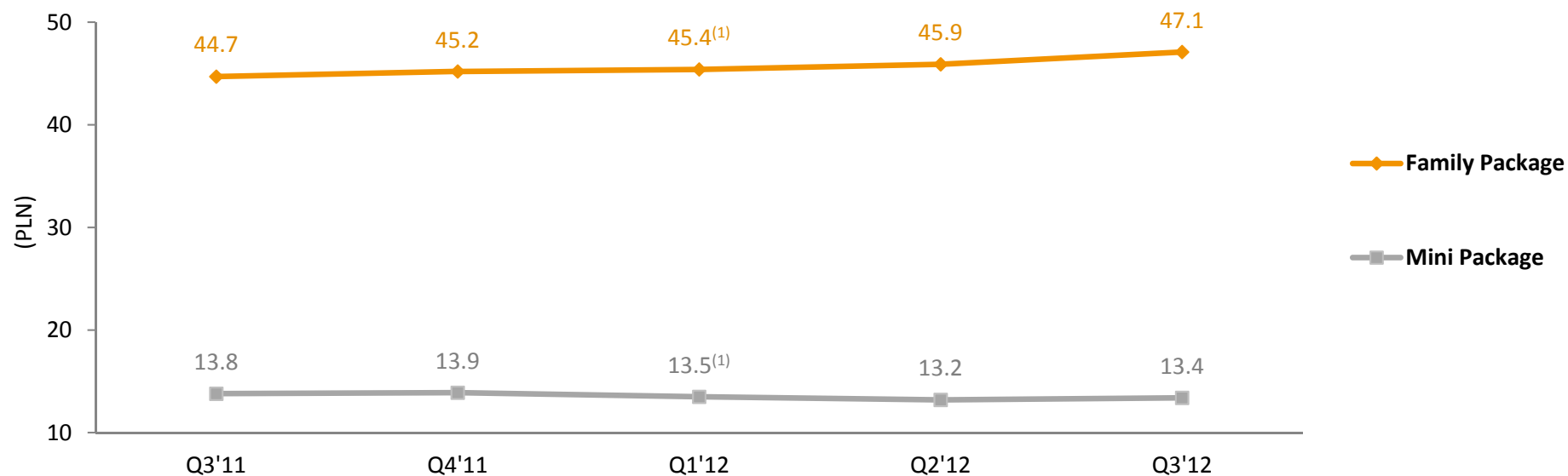


Note: We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end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

Organic growth in ARPU

- Family Package ARPU increased to PLN 47.1 in Q3'12, including PLN 0.3 from PPV
- Mini Package ARPU amounted to PLN 13.4 in Q3'12, including PLN 0.1 from PPV

ARPU



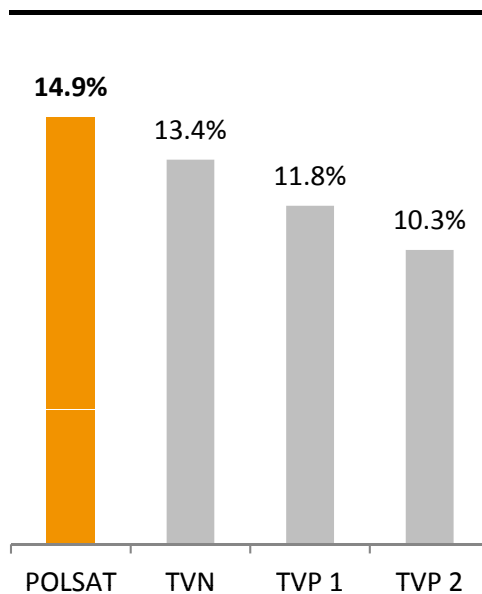
Note: "ARPU" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting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

(1) 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.

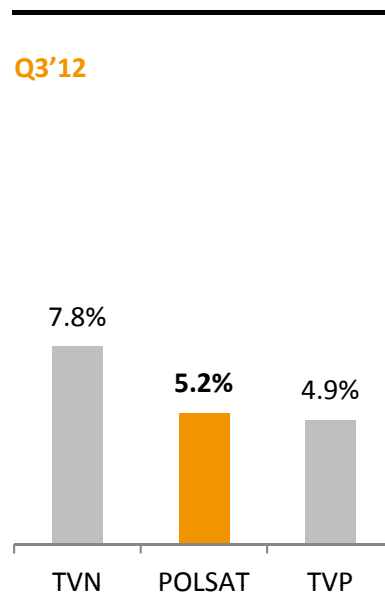
Audience share (Q3'12)

- Audience share of TV Polsat Group in Q3'12 in line with our strategy
 - Effective management of audience share vs. programming costs in order to maximize the EBITDA margin – growth to 38.9% in Q3'12
 - Transmission of the Euro 2012 final and rescheduling of the remaining sports events due to the Olympic Games in London addressed typical male audience
 - Extension of the reach of DTT followed by the further fragmentation of the market

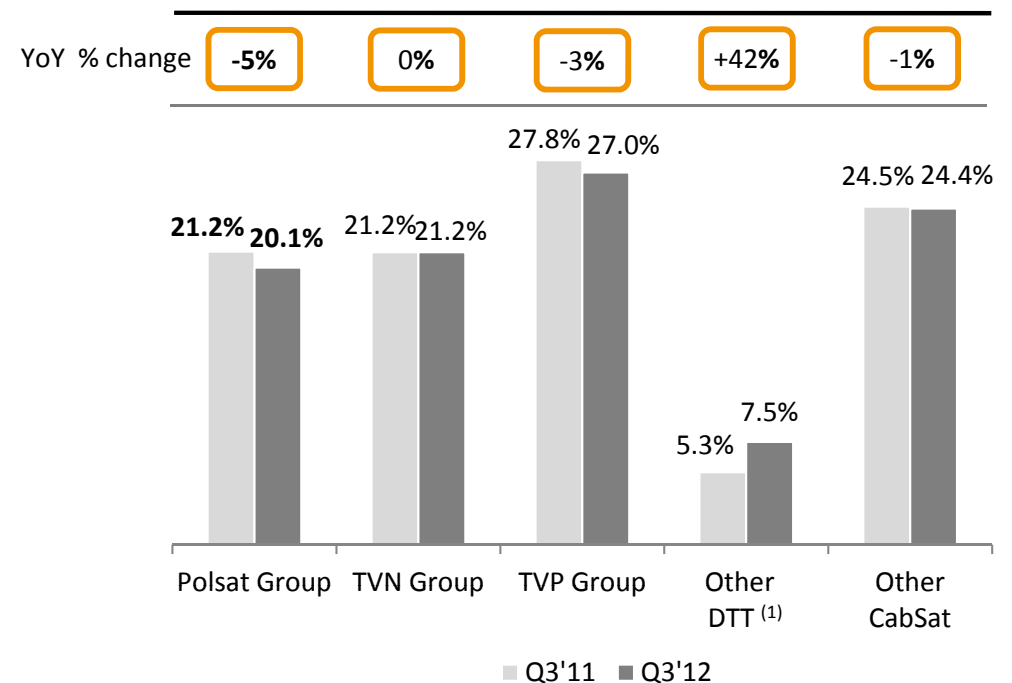
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results



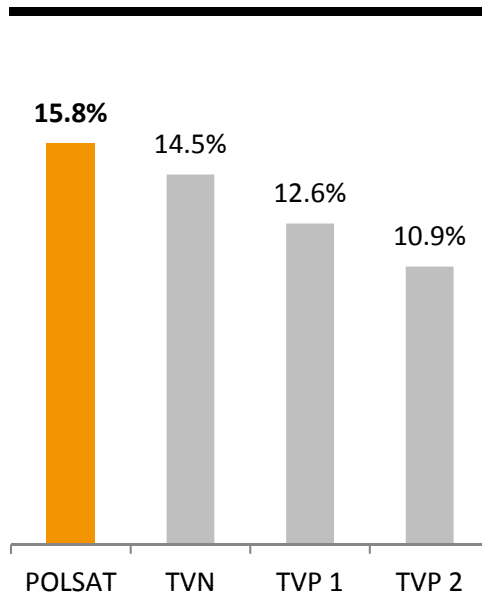
Source: NAM, All 16-49, all day, SHR%; internal analysis
 Note: (1) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2, TV4, TV6

Audience share (9M'12)

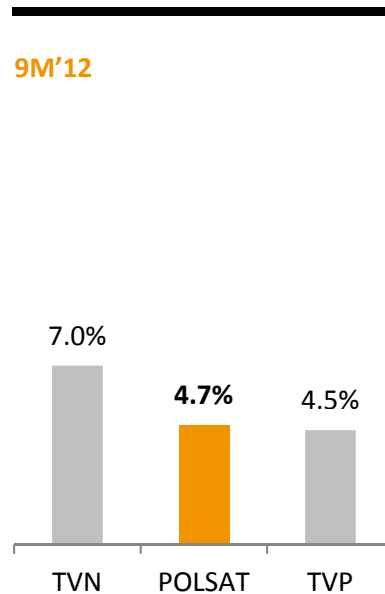
Stable audience share results of TV Polsat Group

- In 9M'12 our audience share remained unchanged at the level of 20.4% despite Euro 2012 and the Olympic Games in London transmitted by TVP
- Main POLSAT channel was the leader with 15.8% audience share
- Audience share of Polsat thematic channels increased by 7.1% (YoY) to 4.7% in 9M'12

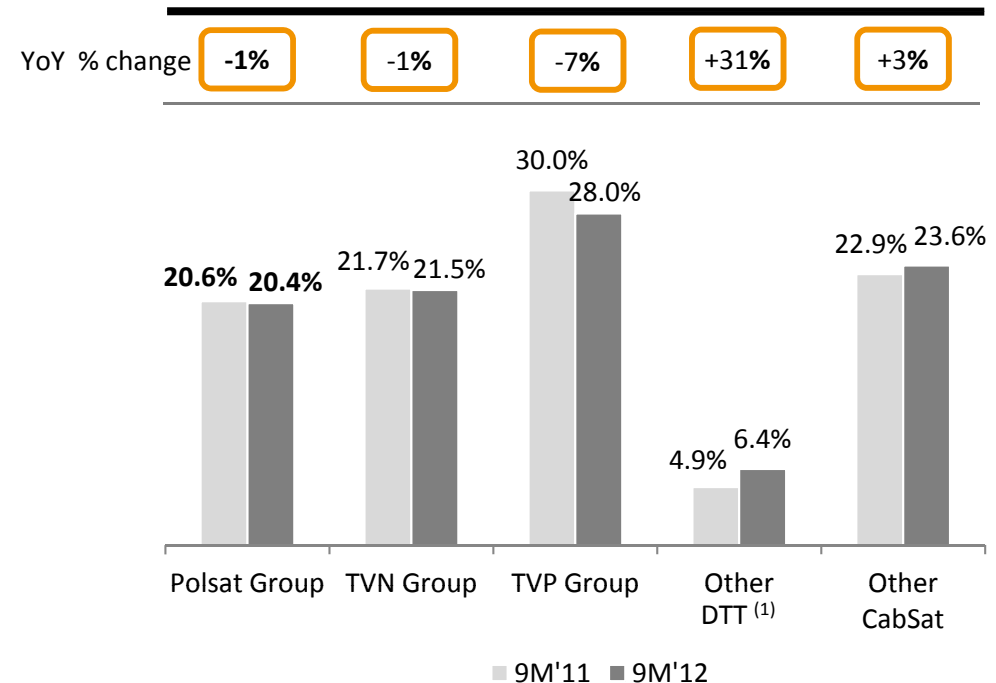
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results

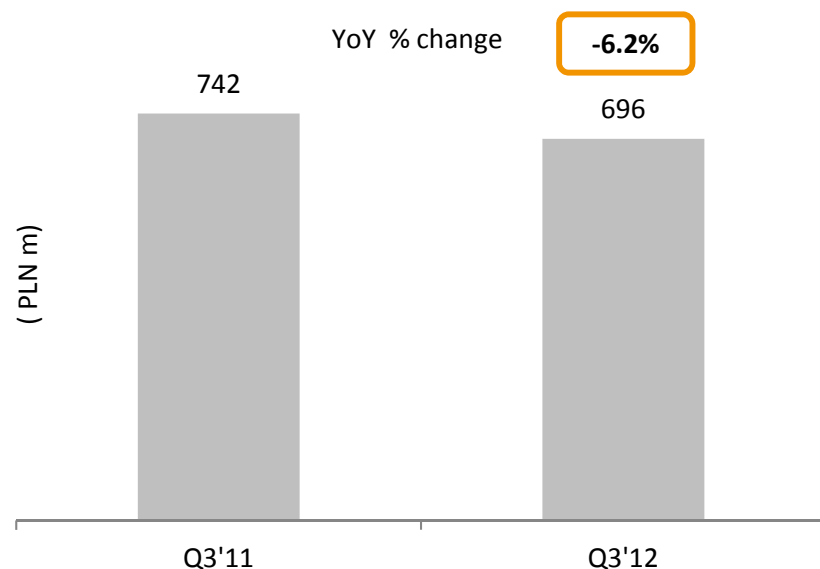


Source: NAM, All 16-49, all day, SHR%; internal analysis
 Note: (1) ATM Rozrywka, ESKA TV, Polo TV, TV Puls, Puls2, TV4, TV6

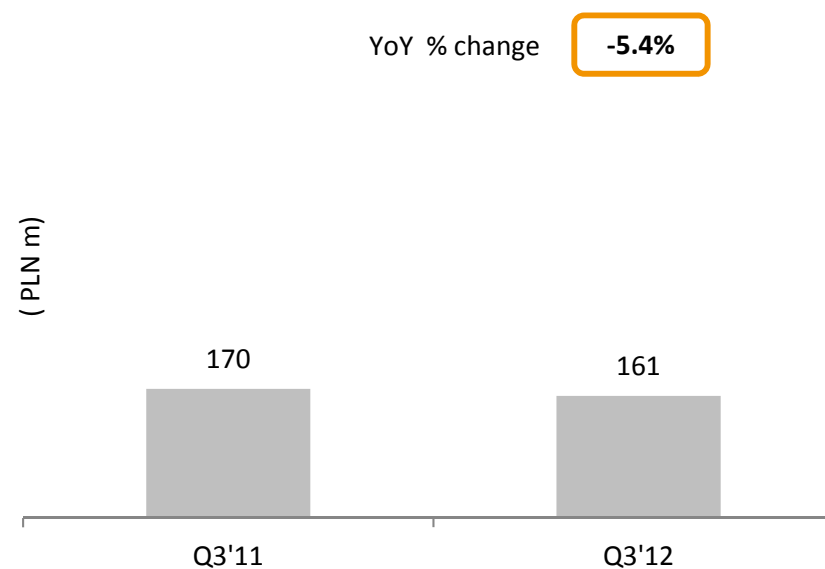
Stable TV ad market share (Q3'12)

- TV advertising and sponsoring market in Q3'12 declined by 6.2% (YoY)
- Revenue from advertising and sponsoring of TV Polsat Group recorded a decrease lower than the market decline and the Group's share in the market increased to 23.1% in Q3'12

Expenditures on TV advertising and sponsoring



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

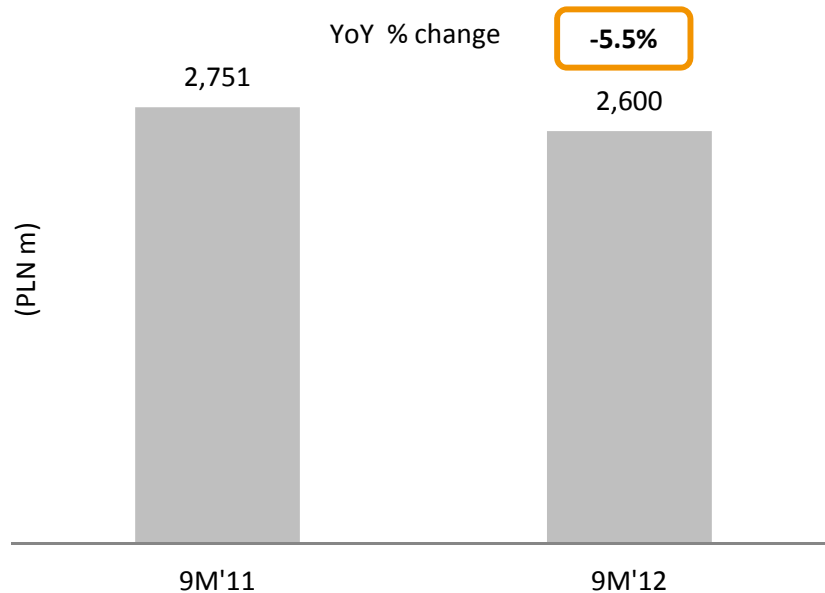


Growth in TV ad market share (9M'12)

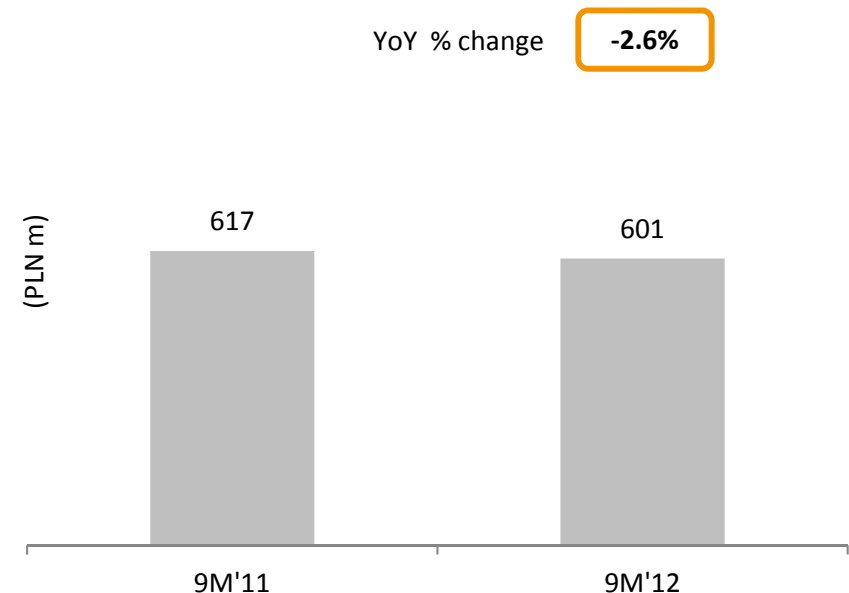


- TV advertising and sponsoring market in 9M'12 declined by 5.5% (YoY)
- Revenue from advertising and sponsoring of TV Polsat Group decreased at a rate twice as slow as compared to the market's decrease, and thanks to that its market share in 9M'12 increased to 23.1% from 22.4% in 9M'11

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 (Q3'12)



in PLN m	Q3 2012	YoY change		
Revenue	645	↑	5%	• The revenue increase mainly due to the organic growth of the retail business segment
Costs ⁽¹⁾	387	↓	(8%)	• Effective management of the cost base and realized synergies within the Group directly affect the level of EBITDA margin
EBITDA ⁽²⁾	258	↑	31%	
EBITDA margin	40%	↑	8.1pp	• Positive effect of the valuation of the Senior Notes compensated by the cost of debt service
Net profit	172	↑	234	

Source: Interim condensed consolidated financial statements for the 3 and 9 months ended 30 September 2012 and internal analysis

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

(2) EBITDA includes one-off related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Results of the Retail business segment⁽¹⁾ (Q3'12)



in PLN m	Q3 2012	YoY change		
Revenue	451	↑	9%	<ul style="list-style-type: none"> The highest in the history revenue from retail sales thanks to the steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	279	↑	2%	<ul style="list-style-type: none"> Costs under control despite a full quarter consolidation of the newly acquired companies
EBITDA	172	↑	21%	<ul style="list-style-type: none"> The third quarter in a row of EBITDA improvement
EBITDA margin	38.2%	↑	4.0pp	<ul style="list-style-type: none"> The increase in the net profit mainly due to the foreign exchange gains on the Senior Notes valuation (negative effect in the prior year)
Net profit	107	↑	189	

Source: Interim condensed consolidated financial statements for the 3 and 9 months ended 30 September 2012 and internal analysis

Note: (1) Consolidation of this segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Technology, 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⁽¹⁾ (Q3'12)



in PLN m	Q3 2012	YoY change		
Revenue	221	↓	(2%)	• The decline in the revenue from advertising and sponsorship partially compensated by higher revenue from cable and satellite operator fees
Costs ⁽²⁾	135	↓	(21%)	• Decrease in costs as a results of an agreement with OZZPA and lower programming costs
EBITDA ⁽³⁾	86	↑	58%	
EBITDA margin	38.9%	↑	14.8pp	• Positive impact of foreign exchange differences on the net profit compared to the prior year
Net profit	65	↑	44	

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

Note: (1) Consolidation of this segment include Telewizja Polsat Sp. z o.o. and all its subsidiaries

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

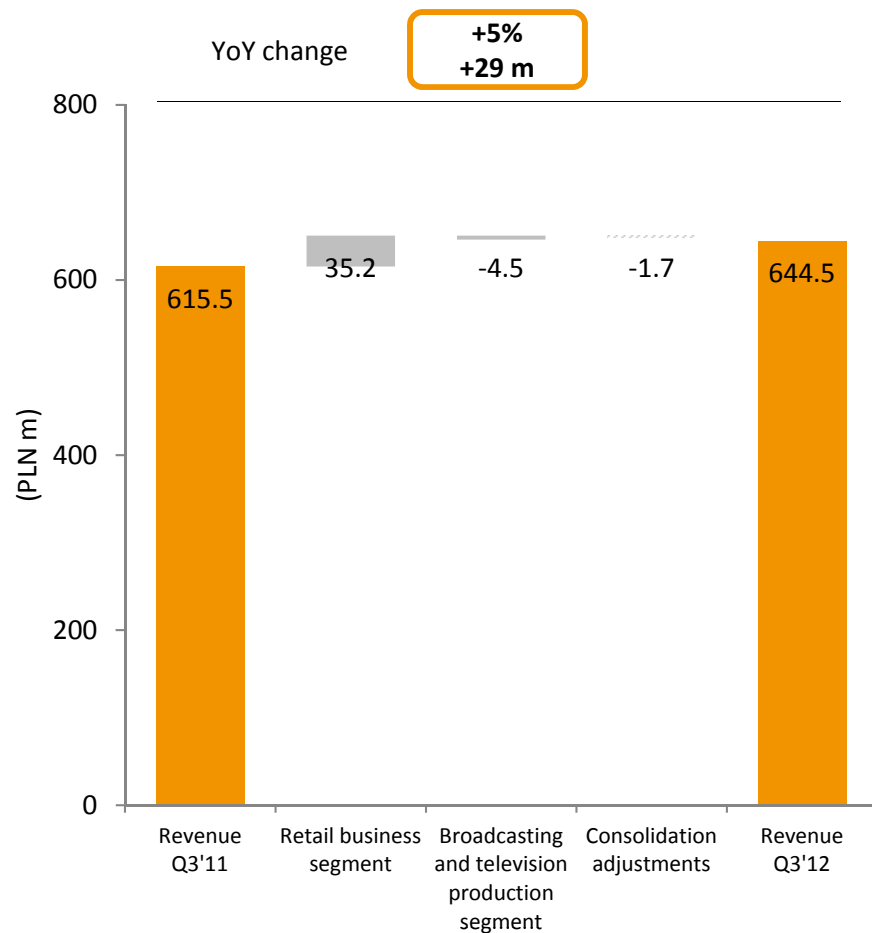
(3) EBITDA includes one-off related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Revenue and EBITDA

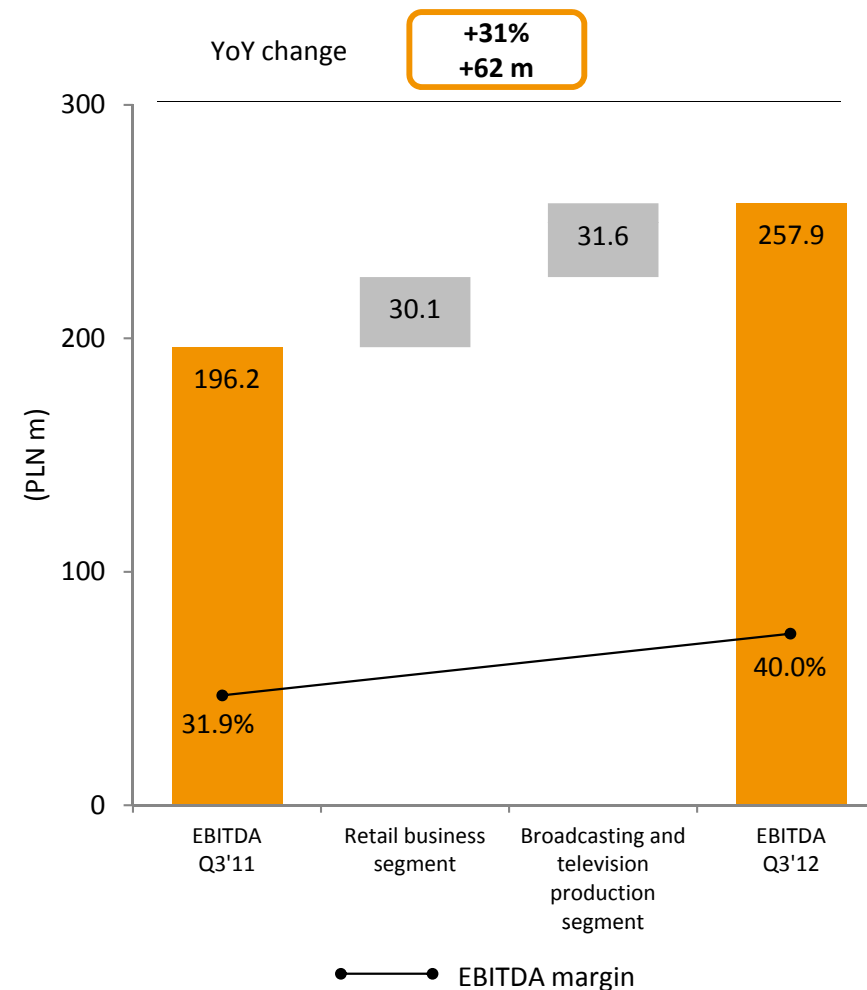
Growth drivers (Q3'12)



Revenue⁽¹⁾



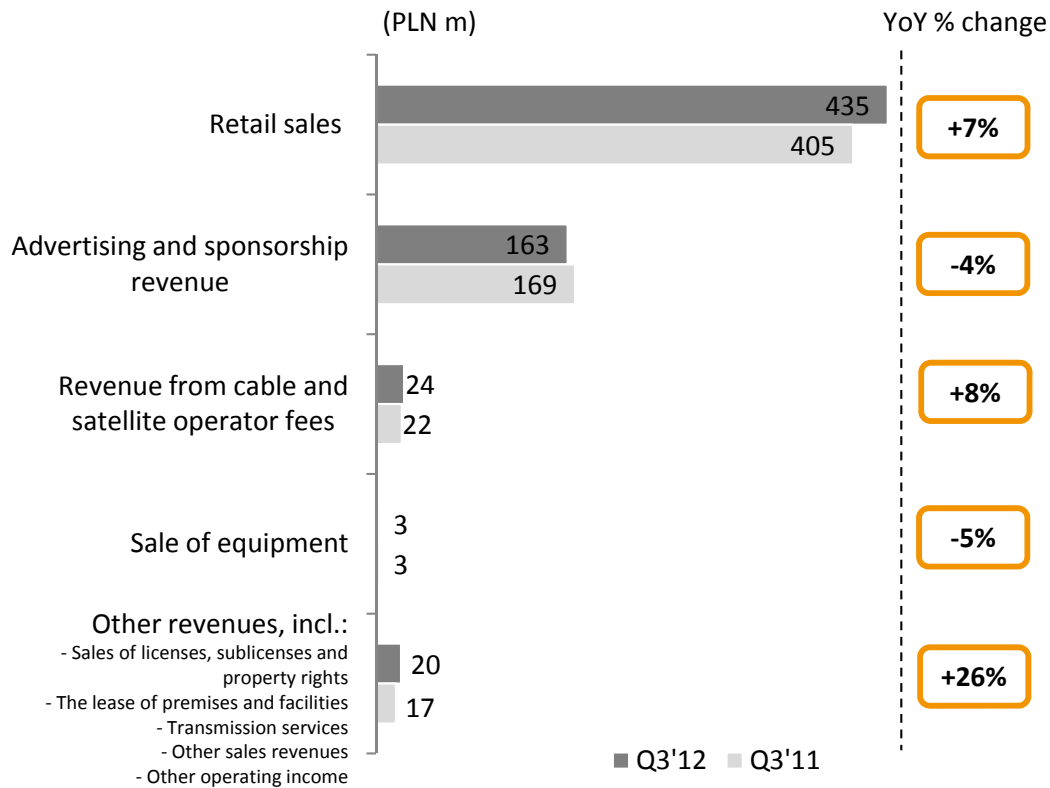
EBITDA



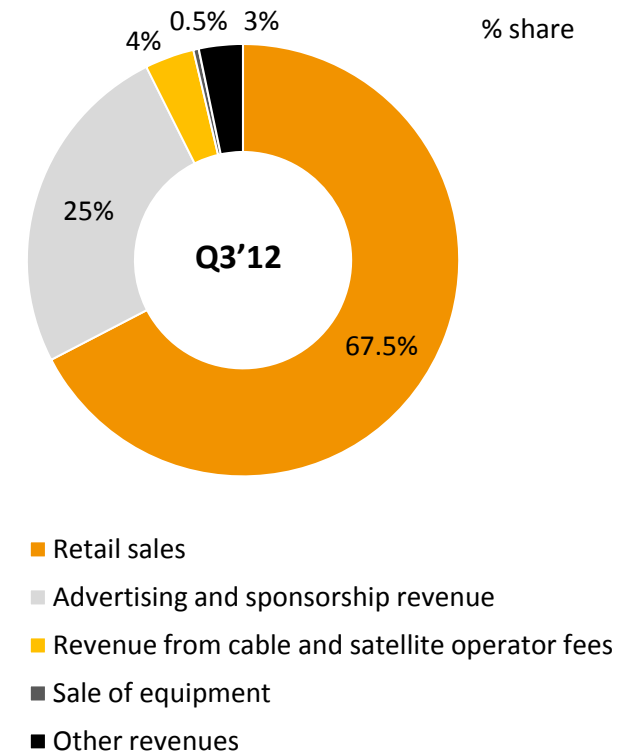
Source: Interim condensed consolidated financial statements for the 3 and 9 months ended 30 September 2012 and internal analysis
 Note: (1) Revenue does not include „Other operating income”

Revenue structure (3Q'12)

Revenue in Q3'12 vs. Q3'11

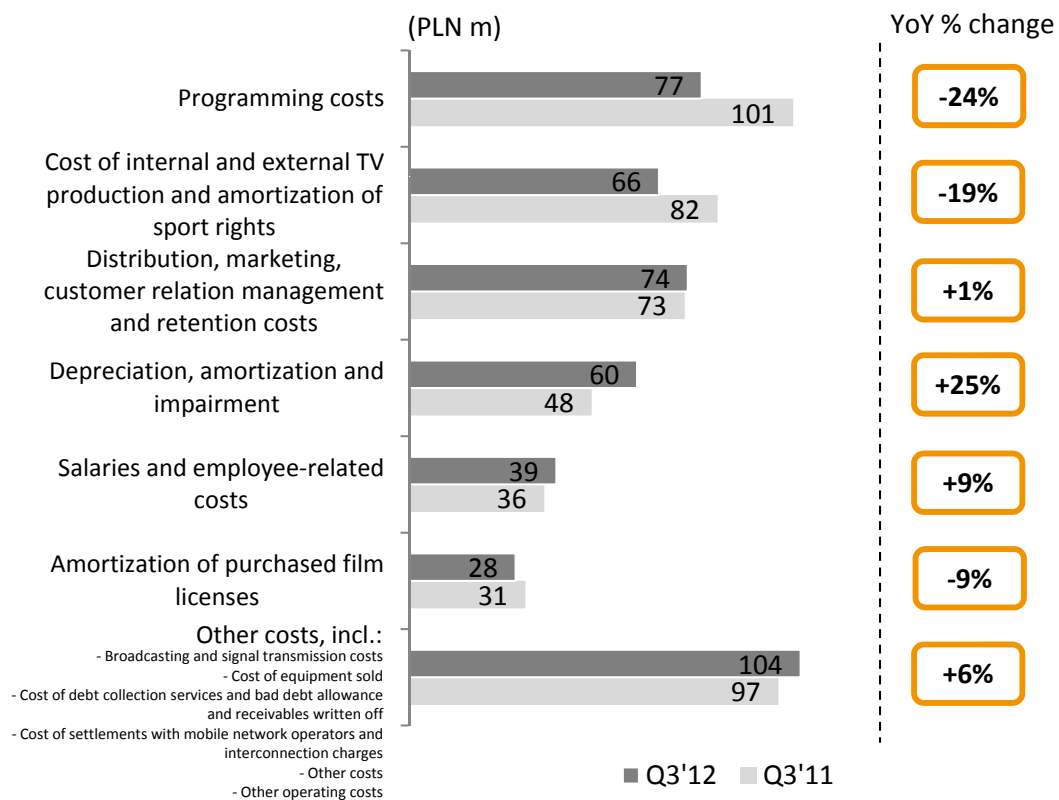


Revenue breakdown



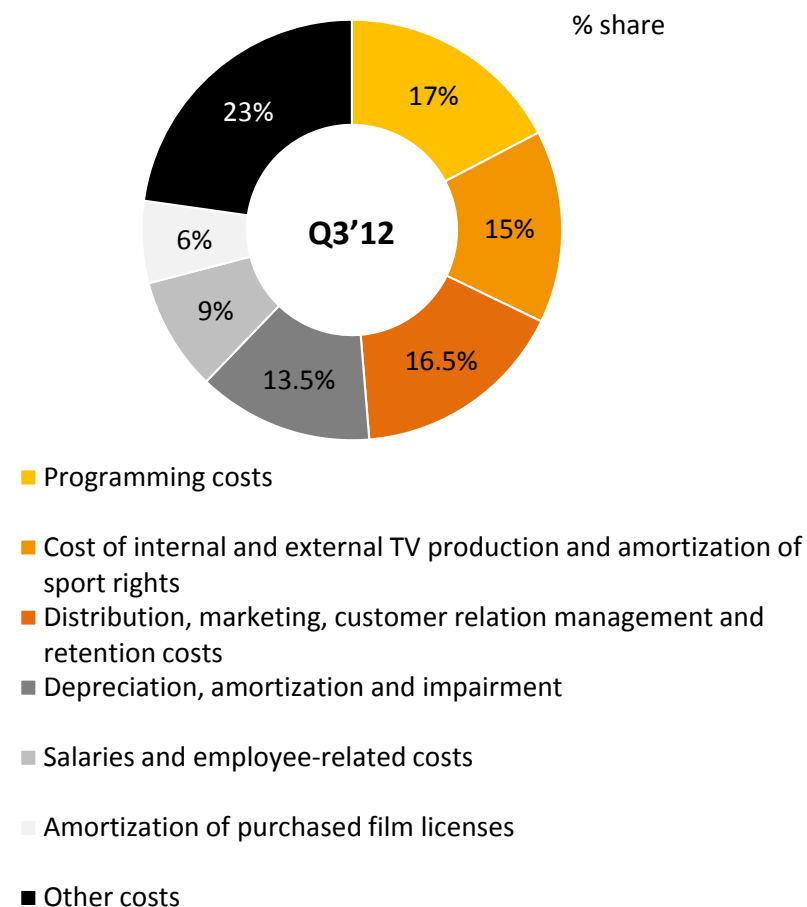
Cost structure (3Q'12)

Operating costs in Q3'12 vs. Q3'11

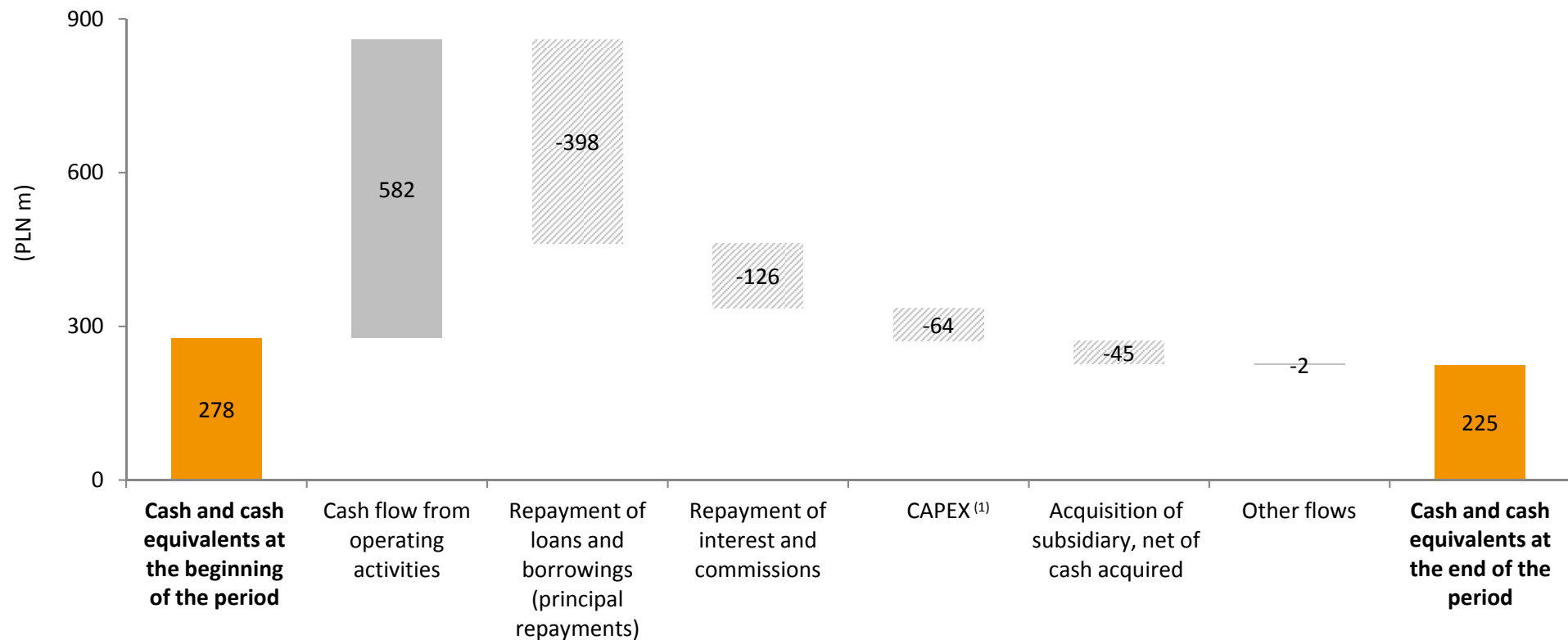


Total
 Q3'12 PLN 448 m
 Q3'11 PLN 468 m | -4%

Operating costs breakdown

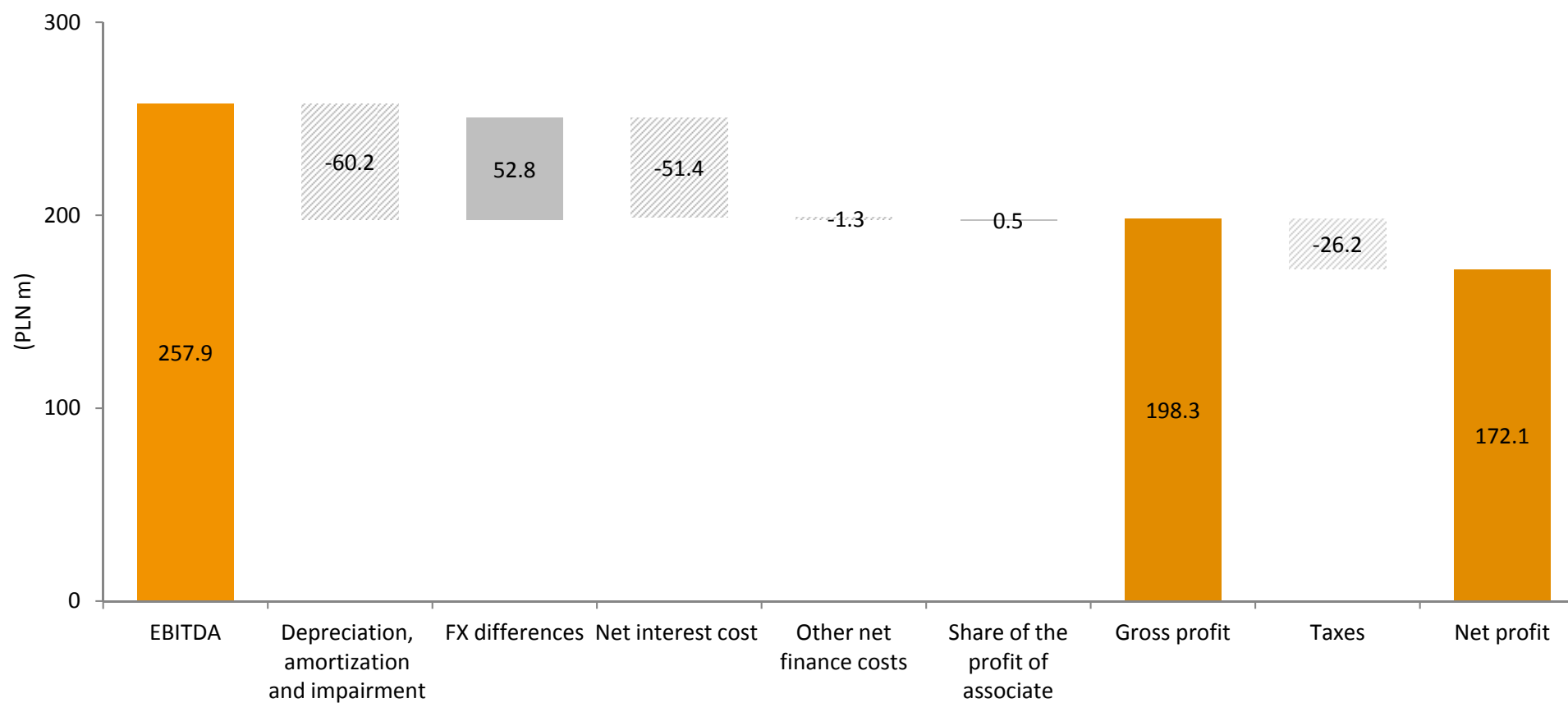


Net cash flow, cash position and debt – 9M'12



Items below EBITDA (Q3'12)

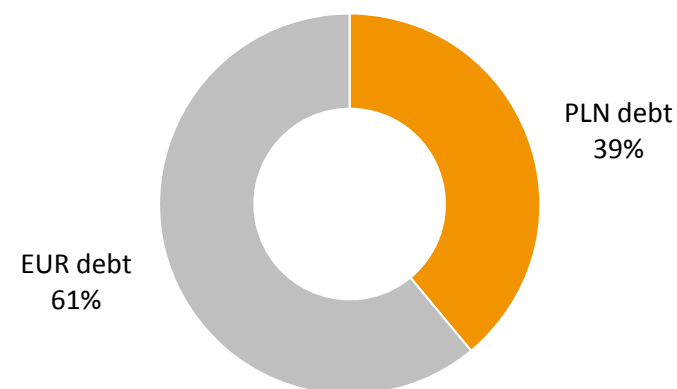
Depreciation, amortization, finance income and costs and taxes – Q3'12



Financial indebtedness

in PLN m	30.09.2012	Maturity
Senior facility ⁽¹⁾	919	2015
Senior Notes ⁽¹⁾	1,447	2018
Finance lease	1	2016
Cash and equivalents	225	-
Net Debt	2,142	
Comparable 12M EBITDA ⁽²⁾	983	
Net Debt / 12M EBITDA	2.18	

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 9 months ended 30 September 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 (9M'12)



in PLN m	9M 2012 ⁽¹⁾	YoY change		
Revenue	2,030	↑	23%	• The increase in revenue and EBITDA mainly due to the consolidation of TV Polsat Group and the organic growth of the retail business segment
Costs ⁽²⁾	1,245	↑	11%	
EBITDA ⁽³⁾	785	↑	46%	• Strong EBITDA margin due to the consistent cost control and realized synergy effects
EBITDA margin	38.7%	↑	6.0pp	• The net profit under the impact of the finance costs related to financing of the acquisition of TV Polsat and the positive effect of the valuation of Senior Notes denominated in EUR
Net profit	477	↑	>100%	

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

(3) EBITDA includes one-off related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Results of the Retail business segment⁽¹⁾ (9M'12)



in PLN m	9M 2012	YoY change		
Revenue	1,333	↑	9%	<ul style="list-style-type: none"> The growth in revenue from retail sales thanks to the steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	831	↓	(1%)	
EBITDA	502	↑	30%	<ul style="list-style-type: none"> Decrease in costs despite the negative impact of foreign exchange rates YoY
EBITDA margin	37.7%	↑	5.9pp	<ul style="list-style-type: none"> Significant impact of dividend from TV Polsat on the net profit
Net profit	565	↑	>100%	

Source: Interim condensed consolidated financial statements for the 3 and 9 months ended 30 September 2012 and internal analysis

Nota: (1) Consolidation of this segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Technology, 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⁽¹⁾ (9M'12)



in PLN m	9M 2012	YoY change		
Revenue	780	↑	0.2%	<ul style="list-style-type: none"> Significant increase in revenue from cable satellite operators netted by lower revenue from advertising and sponsorship
Costs ⁽²⁾	497	↓	(8%)	
EBITDA ⁽³⁾	283	↑	19%	<ul style="list-style-type: none"> Decrease in costs as a result of an agreement with OZZPA and lower programming costs
EBITDA margin	36.3%	↑	5.7pp	<ul style="list-style-type: none"> Increase in EBITDA margin as a result of TV Polsat record high results achieved in the first quarter of this year and the reversal of provision for OZZPA
Net profit	211	↑	35%	

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

Note: (1) Consolidation of this segment include Telewizja Polsat Sp. z o.o. and all its subsidiaries

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

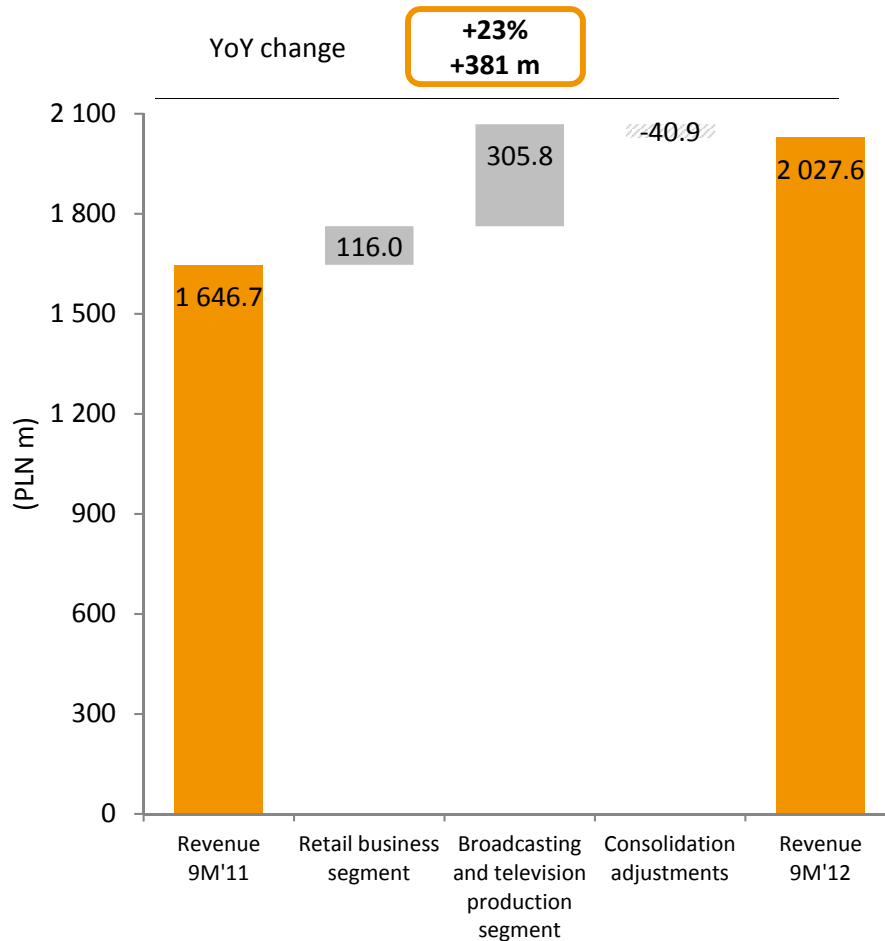
(3) EBITDA includes one-off related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 18.6 million

Revenue and EBITDA

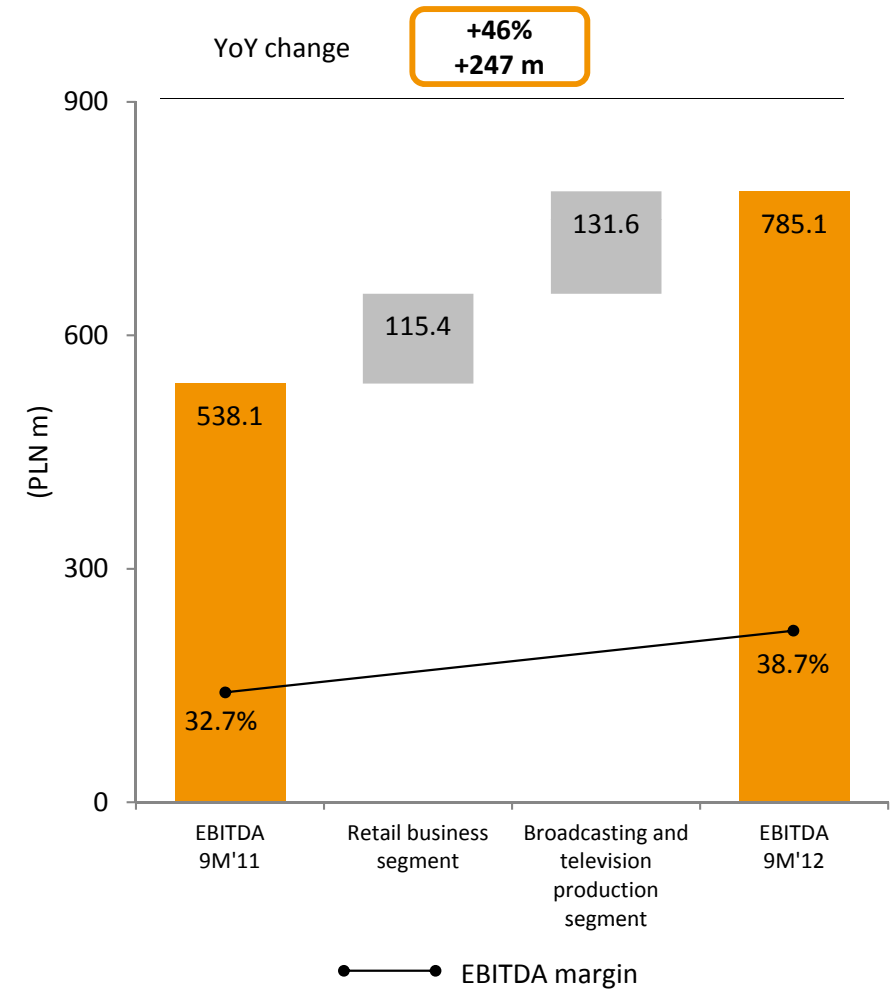
Growth drivers (9M'12)



Revenue⁽¹⁾



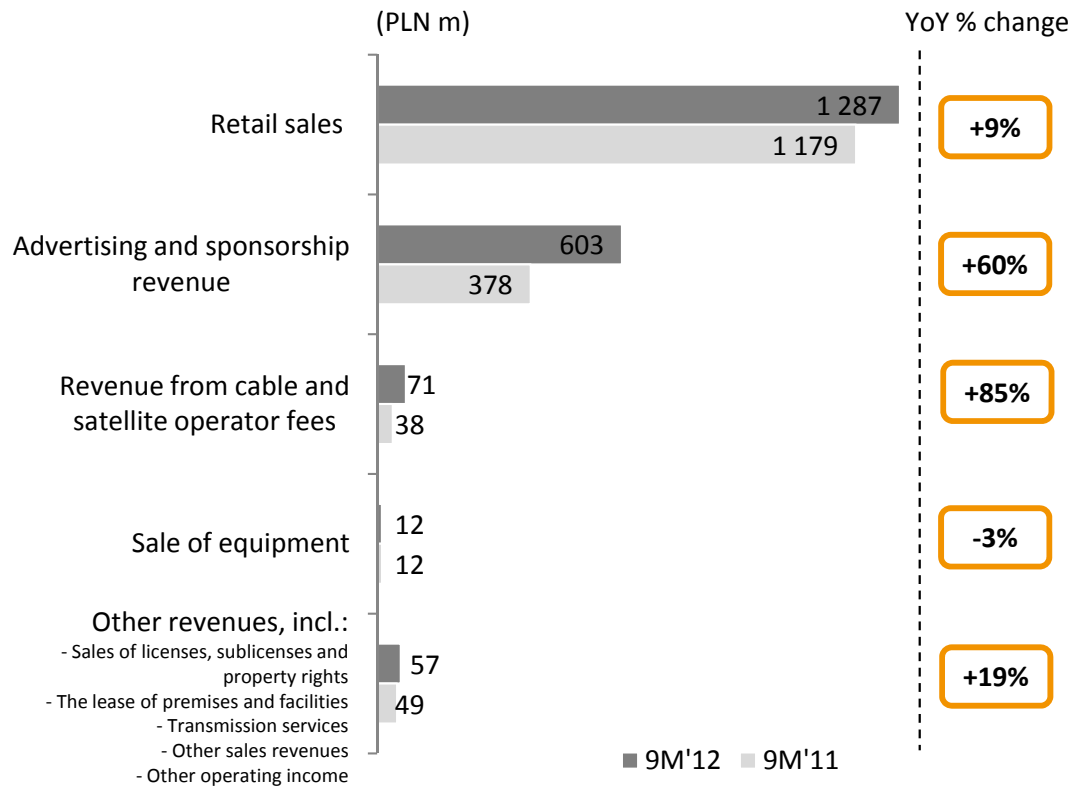
EBITDA



Source: Interim condensed consolidated financial statements for the 3 and 9 months ended 30 September 2012 and internal analysis
 Note: (1) Revenue does not include „Other operating income”

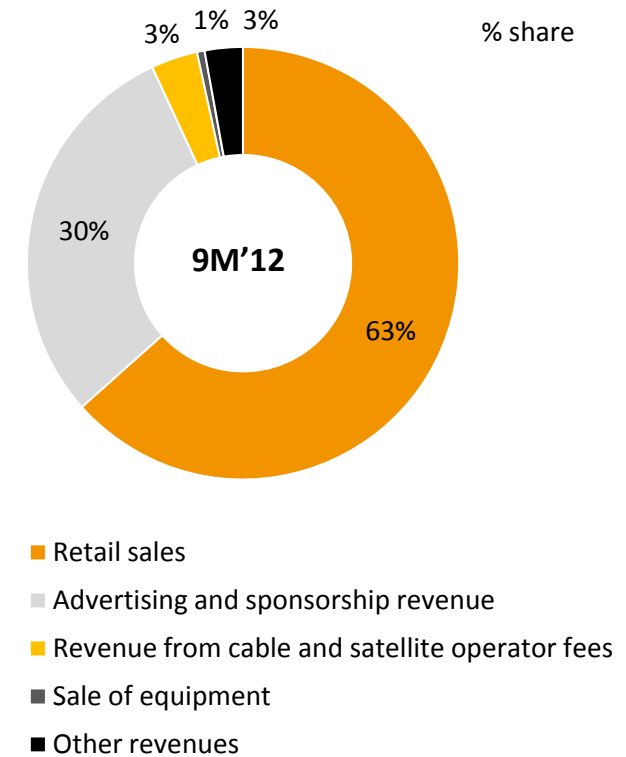
Revenue structure (9M'12)

Revenue in 9M'12 vs. 9M'11



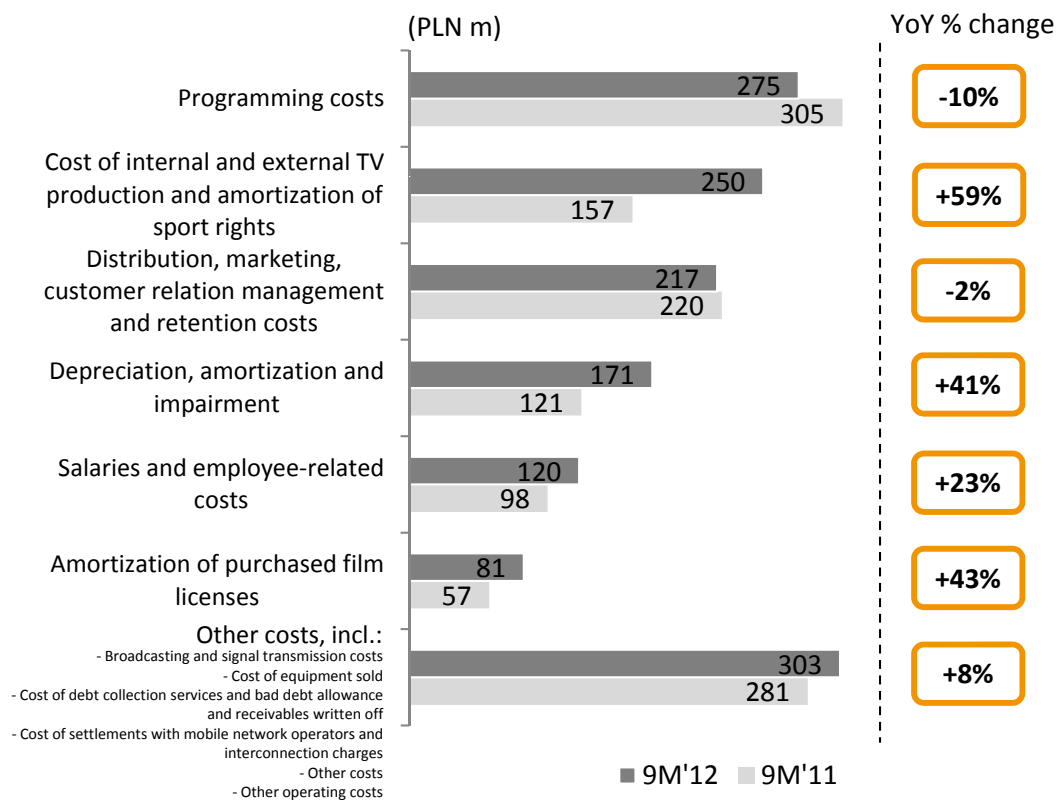
Total
 9M'12 PLN 2,030 m
 9M'11 PLN 1,656 m | **+23%**

Revenue breakdown



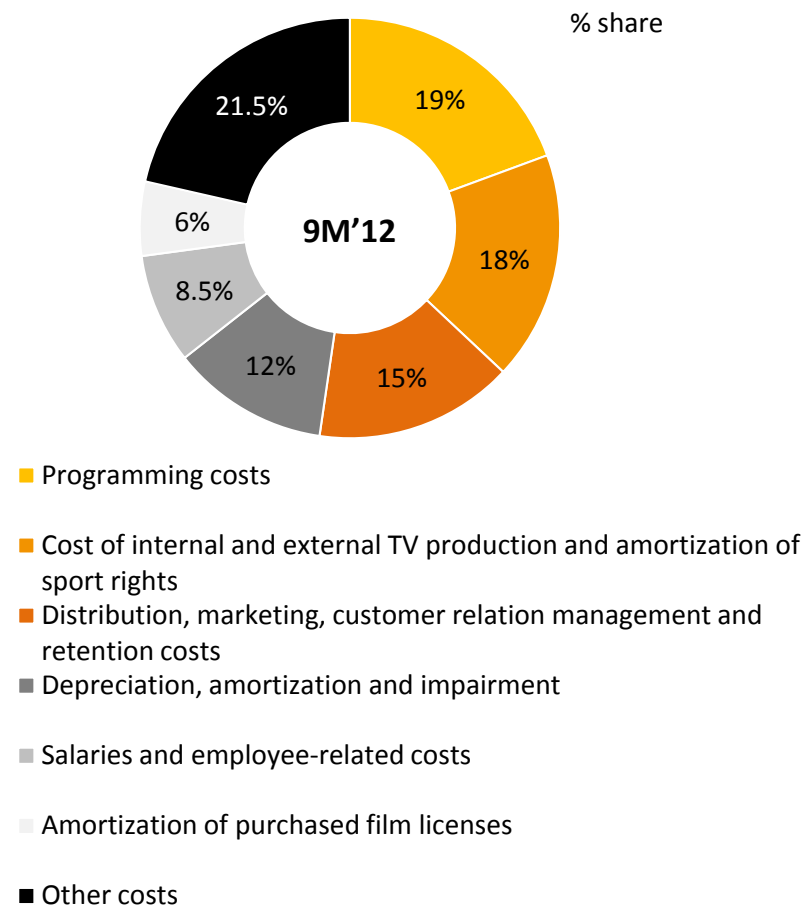
Cost structure (9M'12)

Operating costs in 9M'12 vs. 9M'11



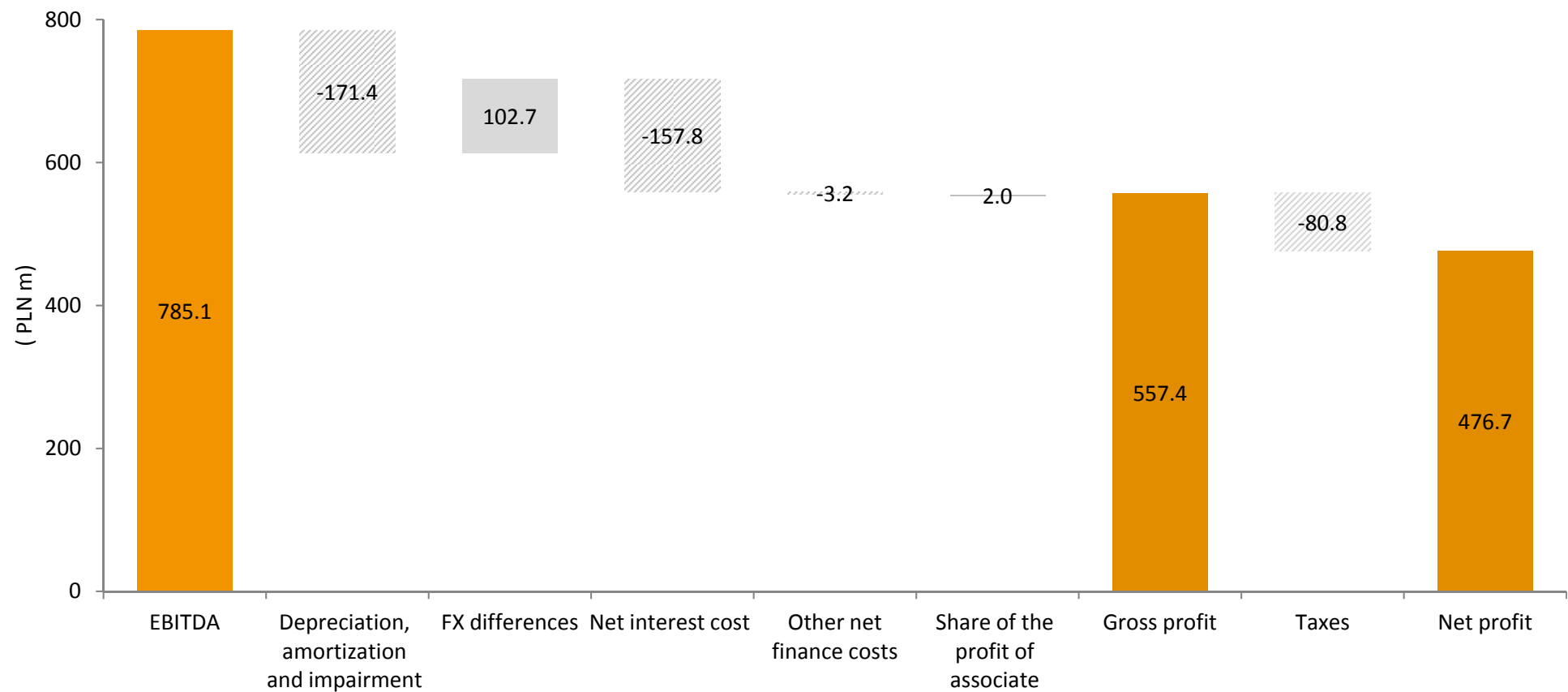
Total
 9M'12 PLN 1,417 m
 9M'11 PLN 1,239 m | **+14%**

Operating costs breakdown



Items below EBITDA (9M'12)

Depreciation, amortization, finance income and costs and taxes – 9M'12



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Q&A

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