



TELEWIZJA INTERNET TELEFON

Results for the fourth quarter and 12 months of 2012

March 12, 2013

Disclaimer

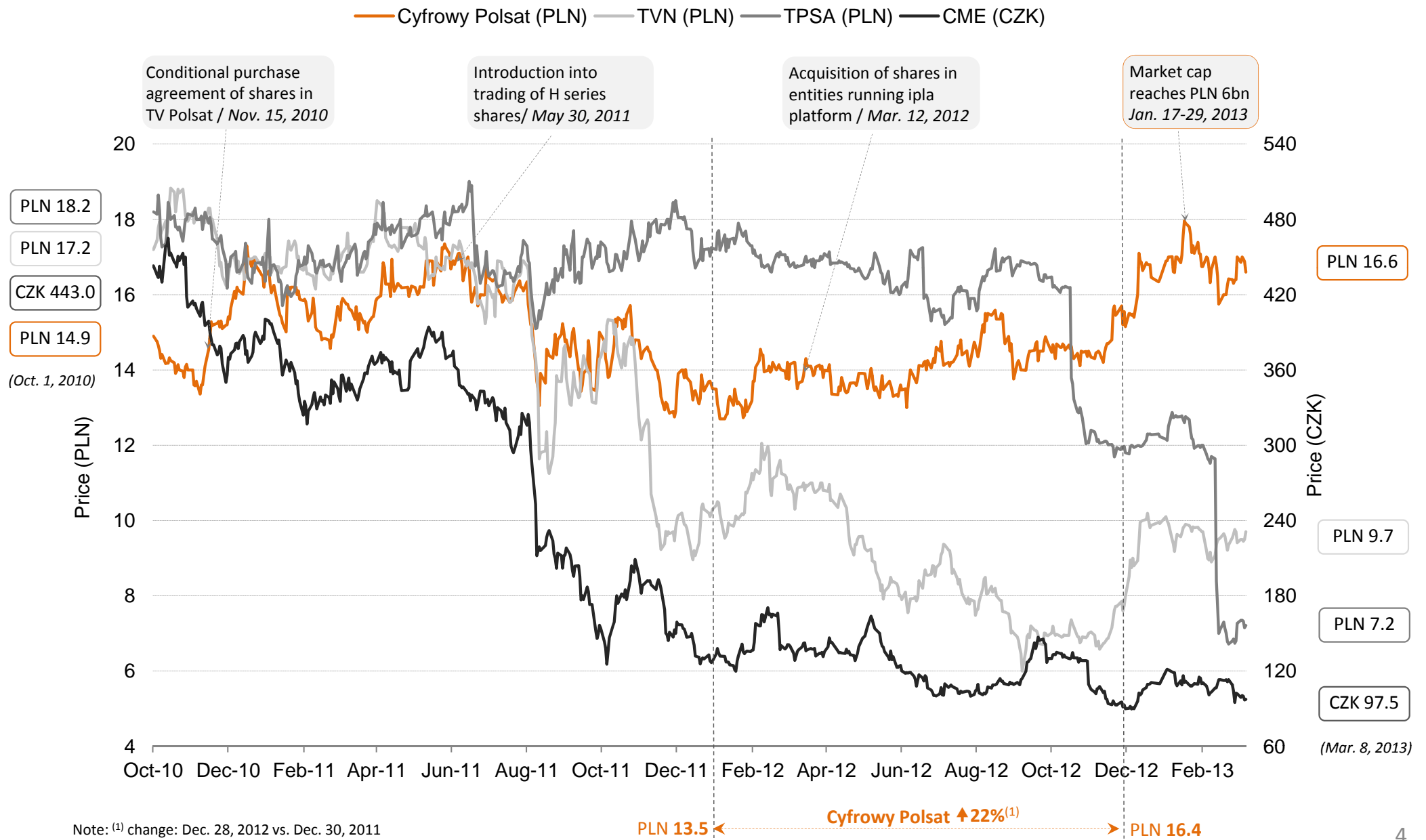


This presentation includes 'forward-looking statements'. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including 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

Cyfrowy Polsat stock performance





- Relaunch of our Internet television ipla
 - extended library of video content (i.a. Warner Bros and Disney)
 - new thematic packages: FilmBOX Live, iplaWORLD, iplaMIX
 - further linear sport channels: Polsat Sport, Polsat Sport Extra, Polsat Sport News, Eurosport HD and Eurosport 2 HD
- Programming expansion of our DTH offer – 20 new channels and new sports events:
 - extension of the mini segment for the „Rodzinny HD” package for PLN 24.90
 - extension of the basic segment for the „Familiijny Max HD” package for PLN 49.90
 - extension of the premium segment for the „Superpremium” package including HBO GO and iplaMIX for PLN 119.90
 - further transmissions of sports events in PPV
- Extended Internet network coverage (i.a. cooperation with Polkomtel) – HSPA/HSPA+ to 93% and LTE up to over 50% of the population
- Standard & Poor's Rating Services revised its outlook to positive and affirmed the rating at „BB”
- Deleveraging below 2x net debt/EBITDA

Important events



- 20 channels under Polsat brand, incl. 5 new: Polsat Food, Polsat Film HD, Polsat Viasat History, Polsat Viasat Explorer and Polsat Viasat Nature

- New channels in the portfolio of our advertising sales office Polsat Media: Viasat Broadcasting and BBC Worldwide Channels



- Relaunch of our business channel Polsat Biznes (formerly TV Biznes)
- Promising start of spring scheduling of TV Polsat channels



- Launch of new sports portal (polsatsport.pl), which completes the offer of Polsat Group sport channels

Summary of operational results



- Number of pay digital television subscribers increased by 14 ths. (YoY) to 3,566,144 at the end of Q4
- In Q4 Family Package ARPU increased YoY by 6.6% to PLN 48.2 and Mini Package ARPU amounted to PLN 13.4
- Churn rate of 8.6%



- Audience share in Q4'12 was 20.8%
- TV advertising market share in Q4'12 was 23.4%

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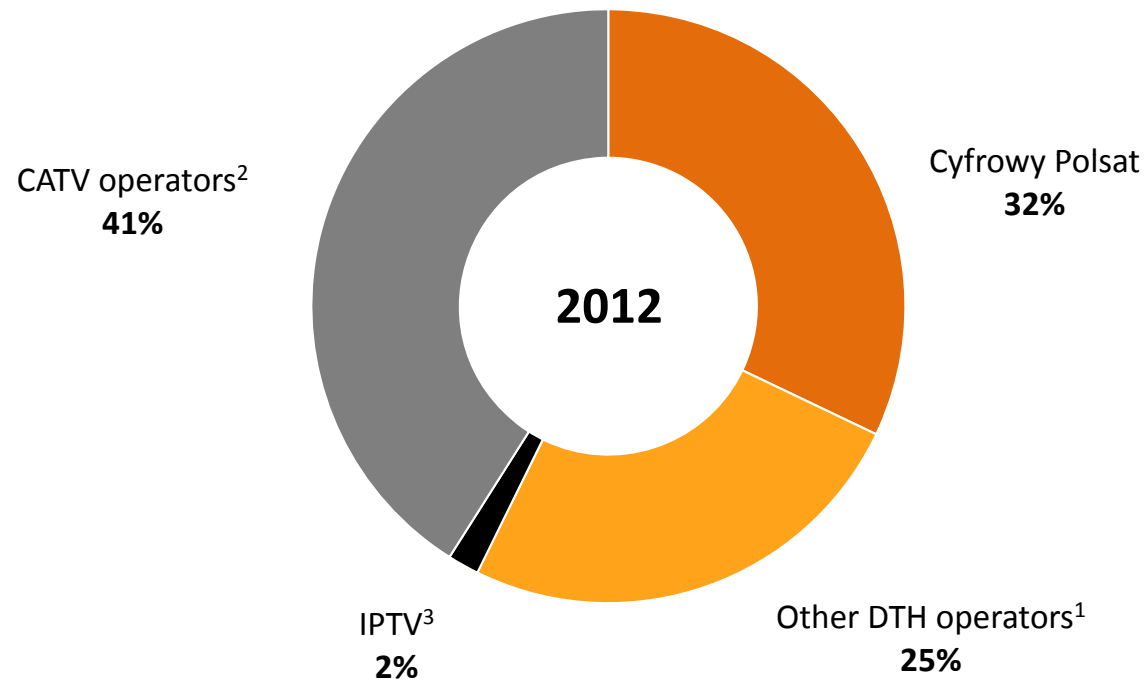
Operational results

Poland's pay-TV market leader



Pay-TV market in Poland

% share in the total number of paying subscribers at the EOY



Note: ⁽¹⁾ Based on own estimates and data published by operators (Annual reports of TVN S.A. Group and TP S.A. Group for 2012)

⁽²⁾ Based on own estimates and data published by PIKE

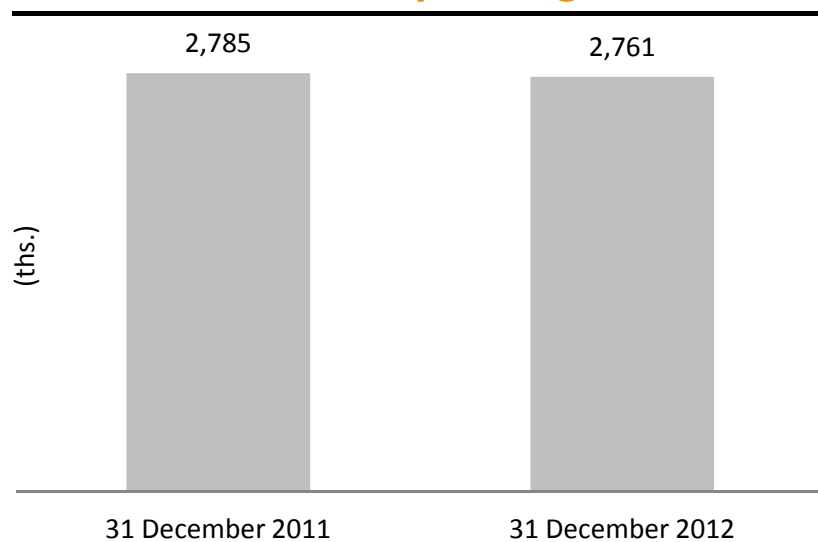
⁽³⁾ Based on own estimates and data published by operators (Annual reports of Telekomunikacja Polska S.A. Group and Netia S.A. for 2012)

Stable subscriber base

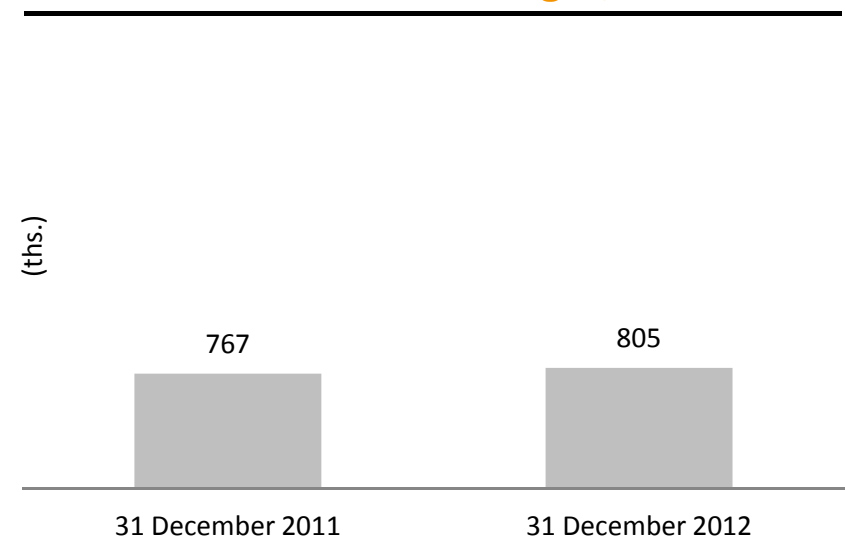


- On annual basis our subscriber base increased to **3.57 million** as of the end of Q4'12
- Almost 70% of our customers use HD set-top boxes
- Approx. 12% of our customers have Multiroom service

Subscribers — Family Package



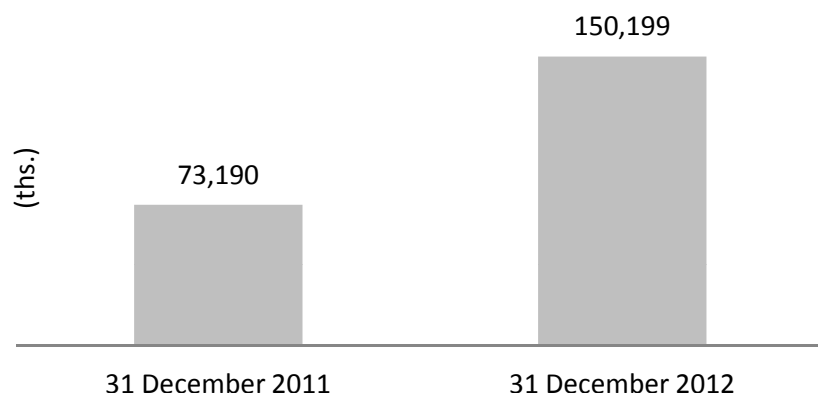
Subscribers — Mini Package (incl. TV Mobilna)



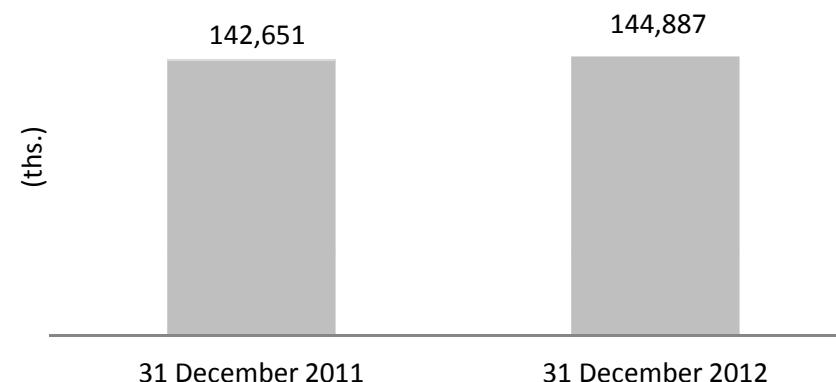
Factors for further growth in revenues from retail business segment



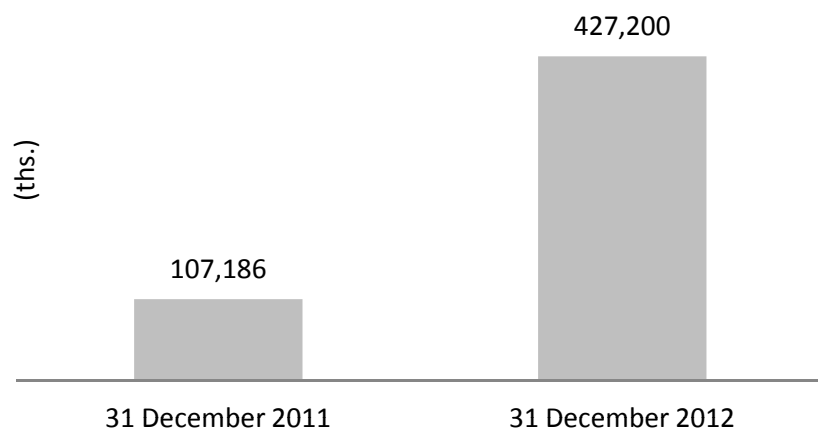
Internet service users



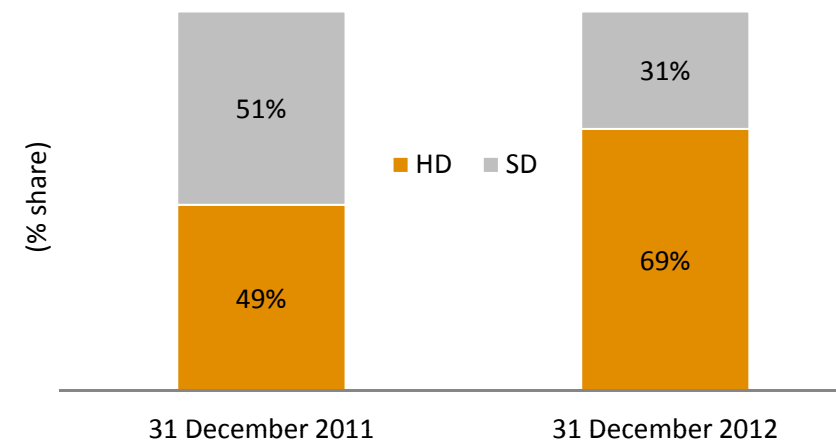
Mobile telephony service users⁽¹⁾



Multiroom service users



Set-top-box base structure

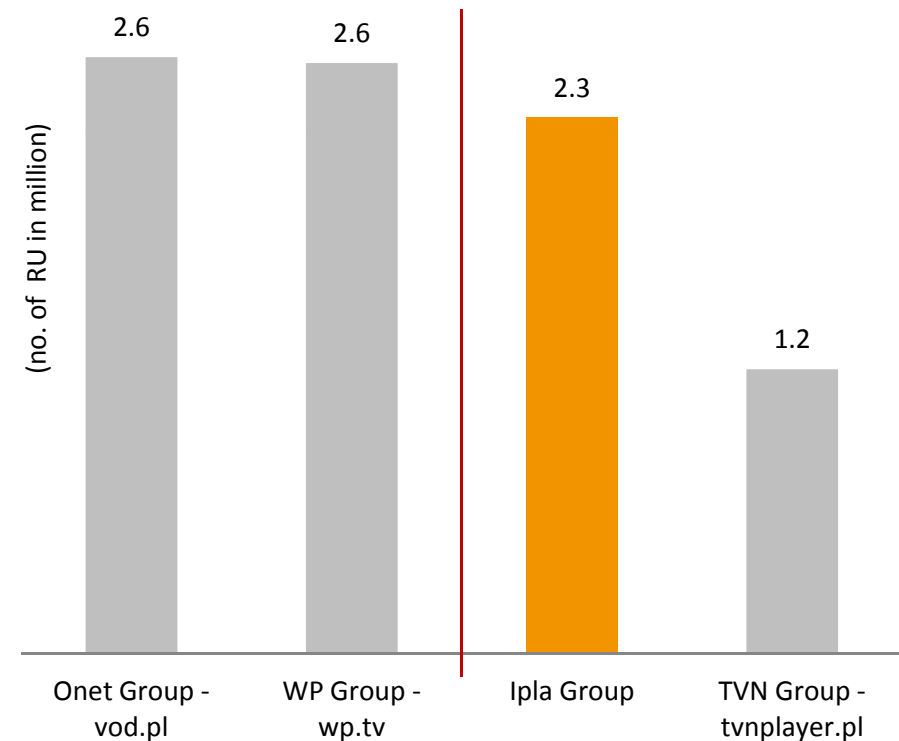


Note: (1) users of our MVNO service and our clients who bought Polkomtel's mobile telephony service within cross promotion

Growing online video segment

- Ipla real users number increased to 2.3 m
- 1 m downloaded apps for Android and more than 0.5m for iOS and Windows Phone
- Almost 50% of total traffic is generated by mobile devices and SmartTV users⁽¹⁾
- No. of ipla's video library increased to 40 ths.
- Increase to 2,149 titles, incl. 1,546 feature films
- Change in ipla's revenue structure in Q4'12 and 2012: 85% advertising and 15% subscription/VOD
- Positive EBITDA in Q4'12: PLN 0.7m (Oct.: 0m, Nov.: 0.6m, Dec.: 0.1m)

Users of online video platforms



Source: Megapanel PBI/Gemius, RU – Real Users, monthly average Nov.-Dec. 2012 (no comparable data for the earlier period due to survey methodology changes),

ipla Group – combined users of application and website ipla.tv

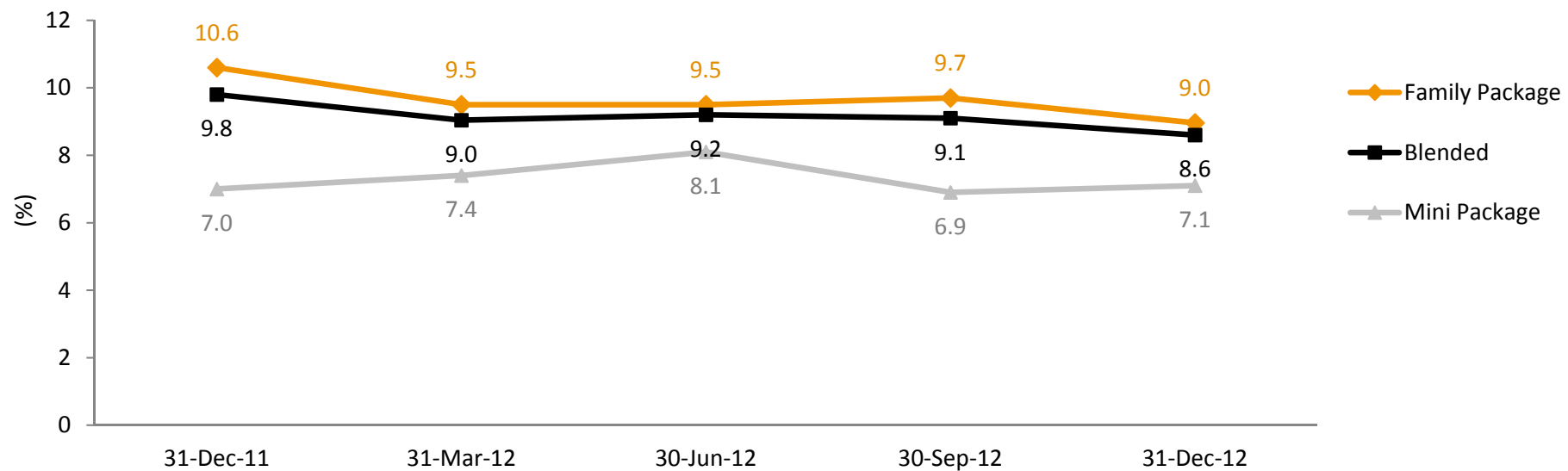
Note: (1) users currently excluded in the Megapanel PBI/Gemius monitoring

Low churn rate

● Decrease in churn rate (blended) in Q4'12 to 8.6% as result of:

- High customer satisfaction
- Effective subscriber retention programs

Churn (12 months)

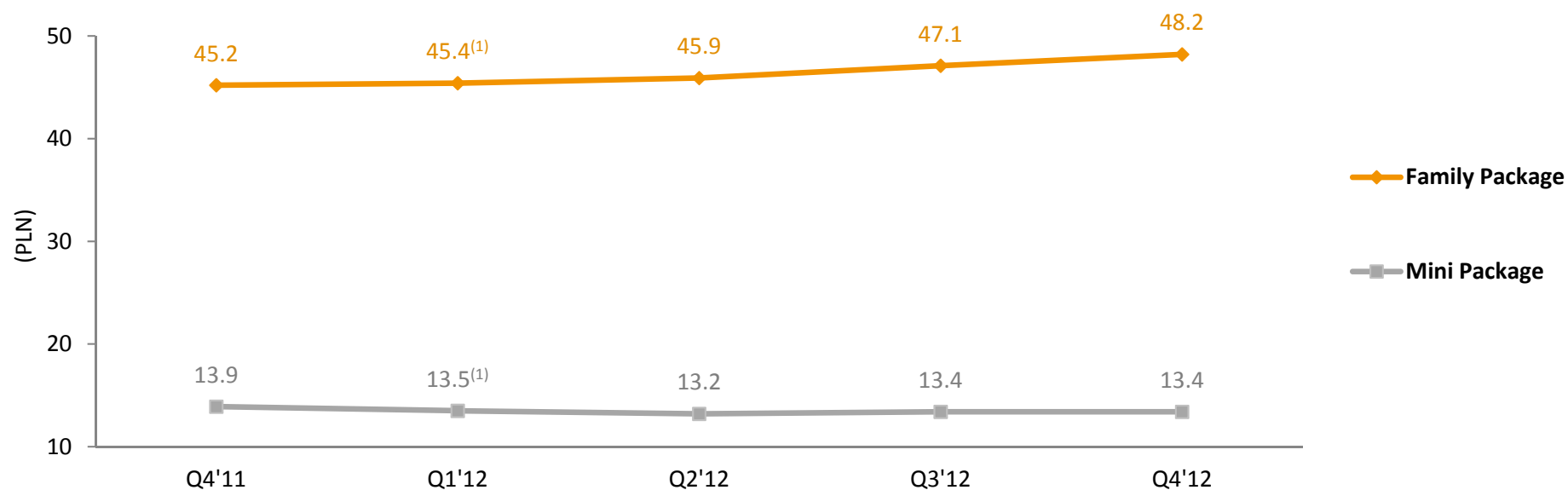


Note: We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same twelve-month period as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service.

Organic growth in ARPU

- Family Package ARPU increased YoY by 6.6% to PLN 48.2 in Q4'12
 - Migration of subscribers to higher programming packages
 - Additional services incl. Multiroom and PPV
- Mini Package ARPU amounted to PLN 13.4 in Q4'12

ARPU



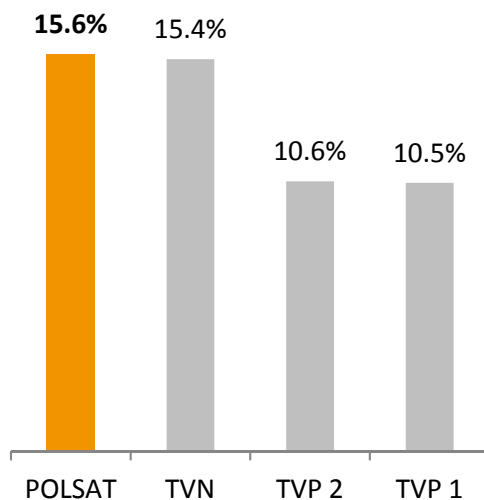
Note: "ARPU" relates to average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting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

(1) 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.

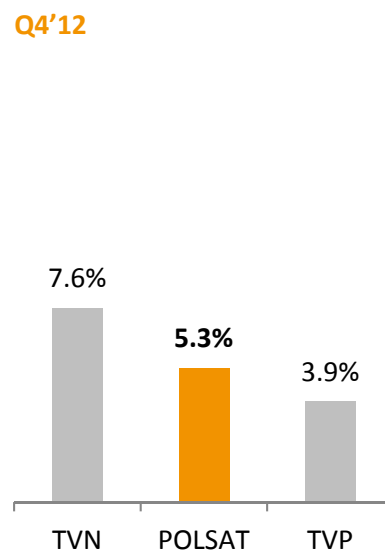
Audience share (Q4'12)

- Audience share of TV Polsat Group in Q4'12 in line with our strategy
 - Effective management of audience share vs. programming costs in order to maximize the EBITDA margin – growth to 37.7% in Q4'12
 - Audience share of the main channel under influence of progressive market fragmentation caused by extension of DTT reach

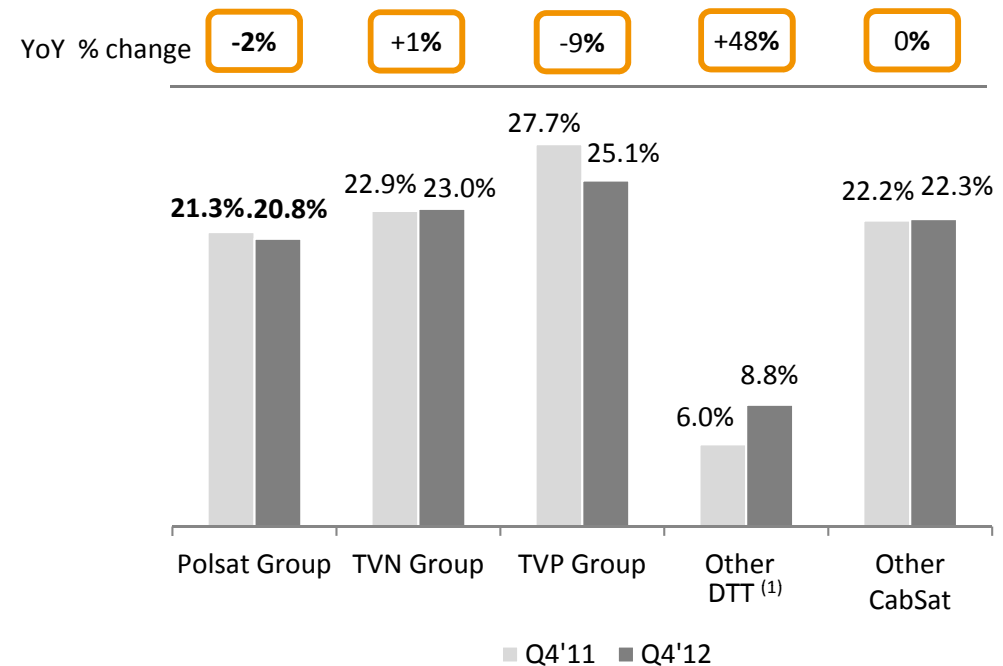
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results

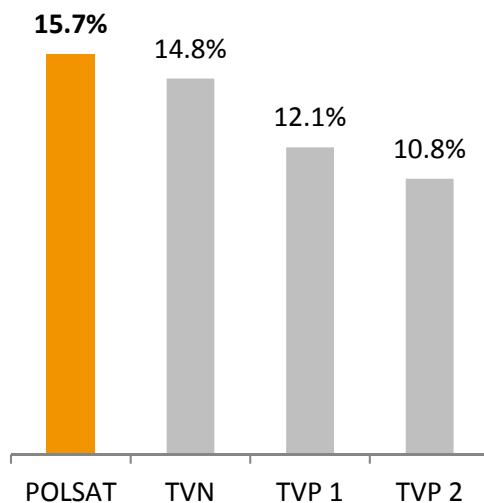


Audience share (2012)

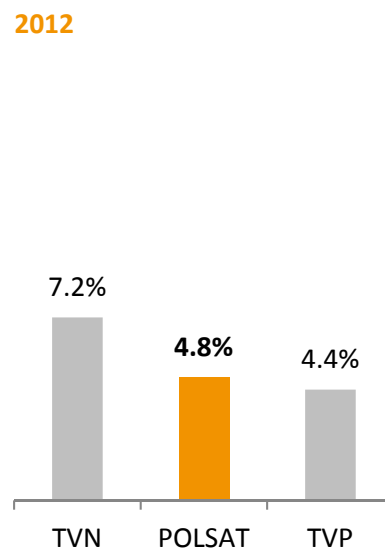
Audience share of TV Polsat Group in 2012 in line with our strategy, despite progressive market fragmentation and two major sports events broadcasted by TVP (Euro 2012 and the Olympic Games in London)

- Main POLSAT channel was the leader with 15.7% audience share
- Audience share of Polsat thematic channels increased to 4.8%

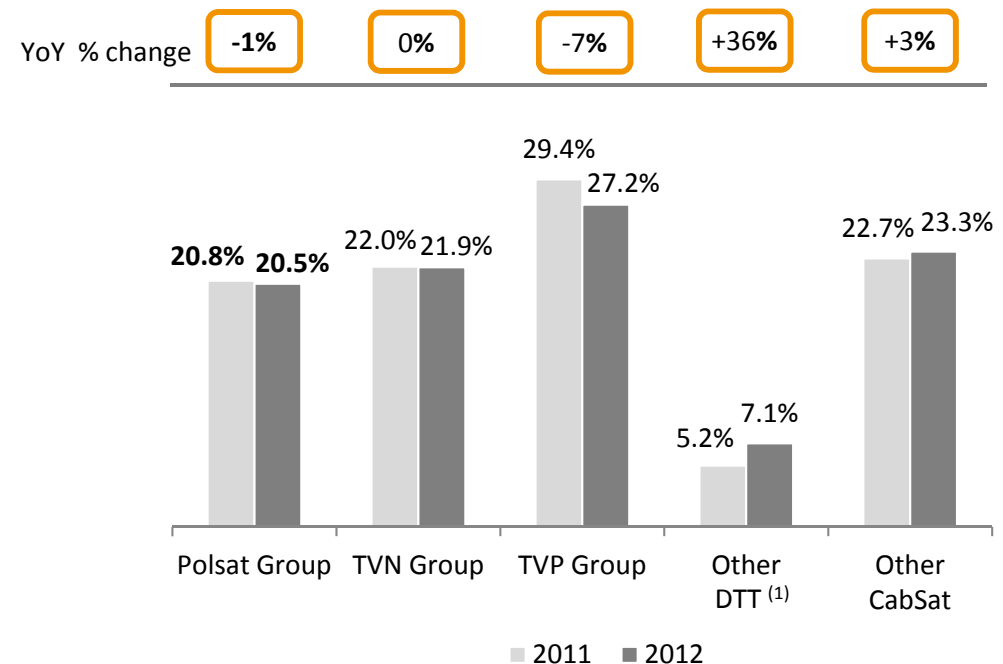
Audience share of main channels



Audience share of thematic channels



Dynamics of audience share results

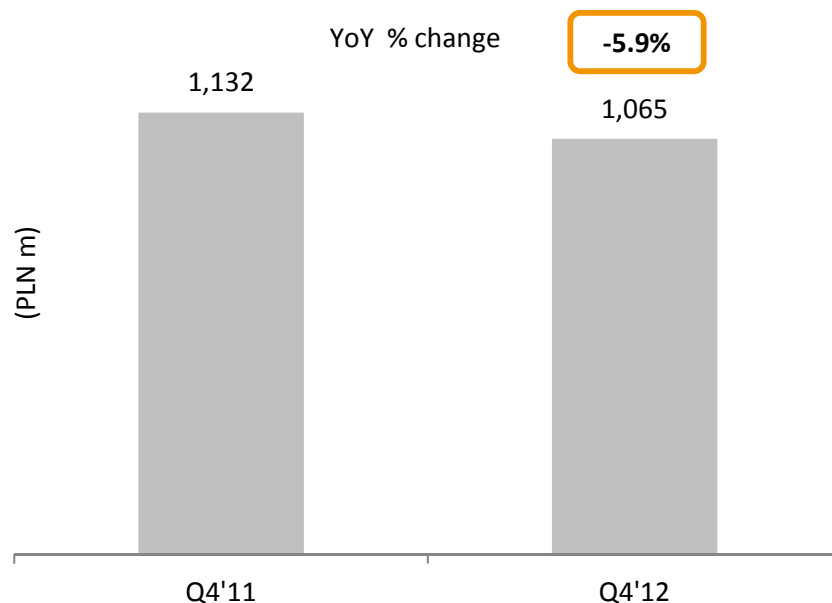


Growth in TV ad market share (Q4'12)

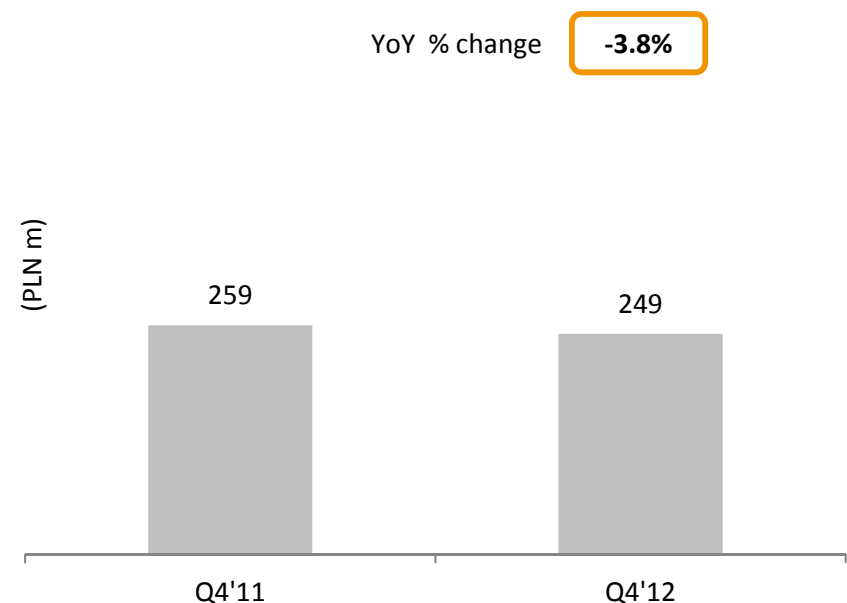


- TV advertising and sponsoring market in Q4'12 declined by 5.9% (YoY)
- Revenue from advertising and sponsoring of TV Polsat Group recorded a decrease lower than the market decline and the Group's share in the market increased to 23.4% in Q4'12

Expenditures on TV advertising and sponsoring



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



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

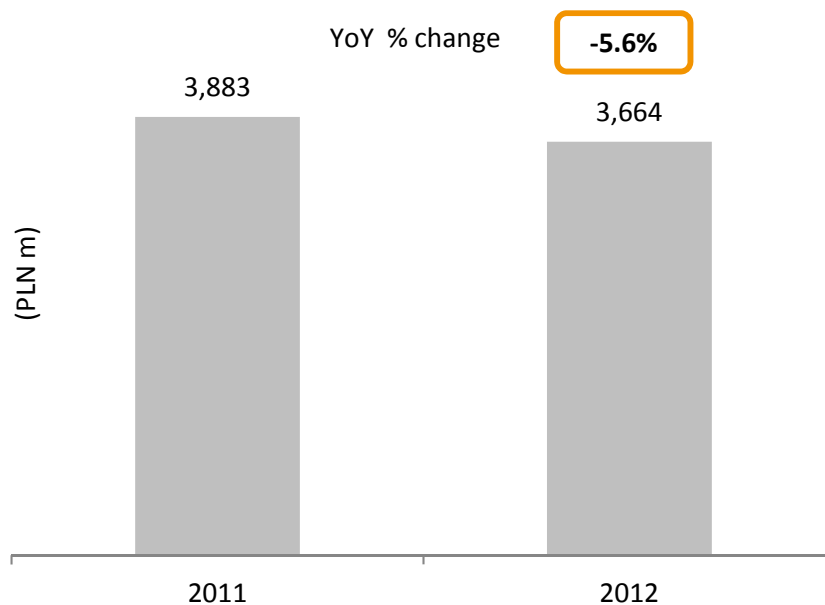
Note: (1) Revenue from advertising and sponsoring of TV Polsat Group according to Starlink's definition

Growth in TV ad market share (2012)

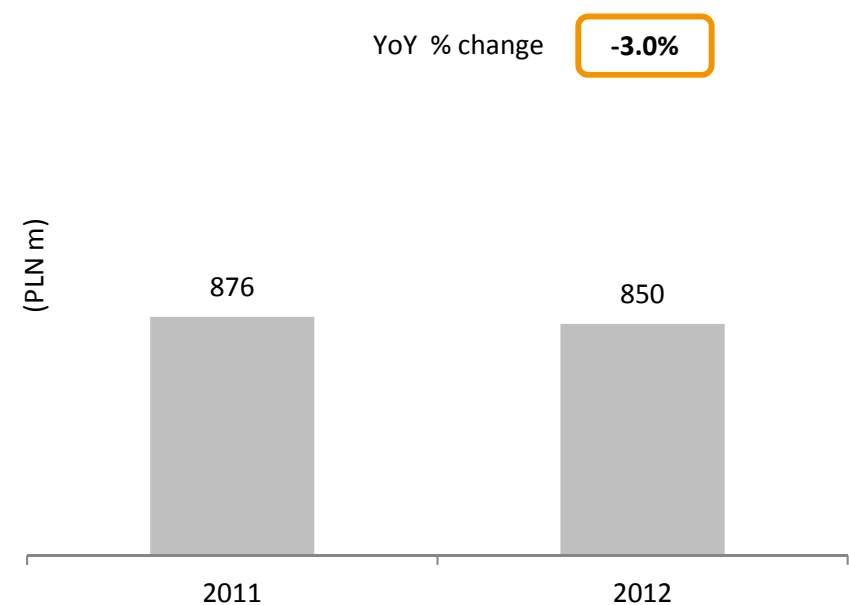


- TV advertising and sponsoring market in 2012 declined by 5.6% (YoY)
- Revenue from advertising and sponsoring of TV Polsat Group decreased at a rate almost twice as slow as compared to the market's decrease, and thanks to that its market share in 2012 increased to 23.2% from 22.6% in 2011

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

Very good financial results of the Group (2012)



in PLN m	2012 ⁽¹⁾	YoY change		
Revenue	2,783	↑	17%	• 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⁾	1,751	↑	6%	
EBITDA ⁽³⁾	1,032	↑	40%	• Strong EBITDA margin due to the effective cost policy and realized synergy effects
EBITDA margin	37.2%	↑	6.1pp	• 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	598	↑	>100%	

Source: Consolidated financial statements for year ended 31 December 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 25.4 million

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Financial review

Very good financial results of the Group (Q4'12)



in PLN m	Q4 2012	YoY change		
Revenue	753	↑	4%	• The revenue increase mainly due to the organic growth of the retail business segment
Costs ⁽¹⁾	506	↓	(4%)	• Effective cost policy and current synergies within the Group directly affect the level of EBITDA margin
EBITDA ⁽²⁾	247	↑	25%	
EBITDA margin	32.9%	↑	5.5pp	• Positive effect of valuation of Senior Notes and lower debt service costs (i.a. lower interest cost resulting from the prepayment of term facility loan in 3Q'12)
Net profit	122	↑	59%	

Source: Consolidated financial statements for year ended 31 December 2012 and internal analysis

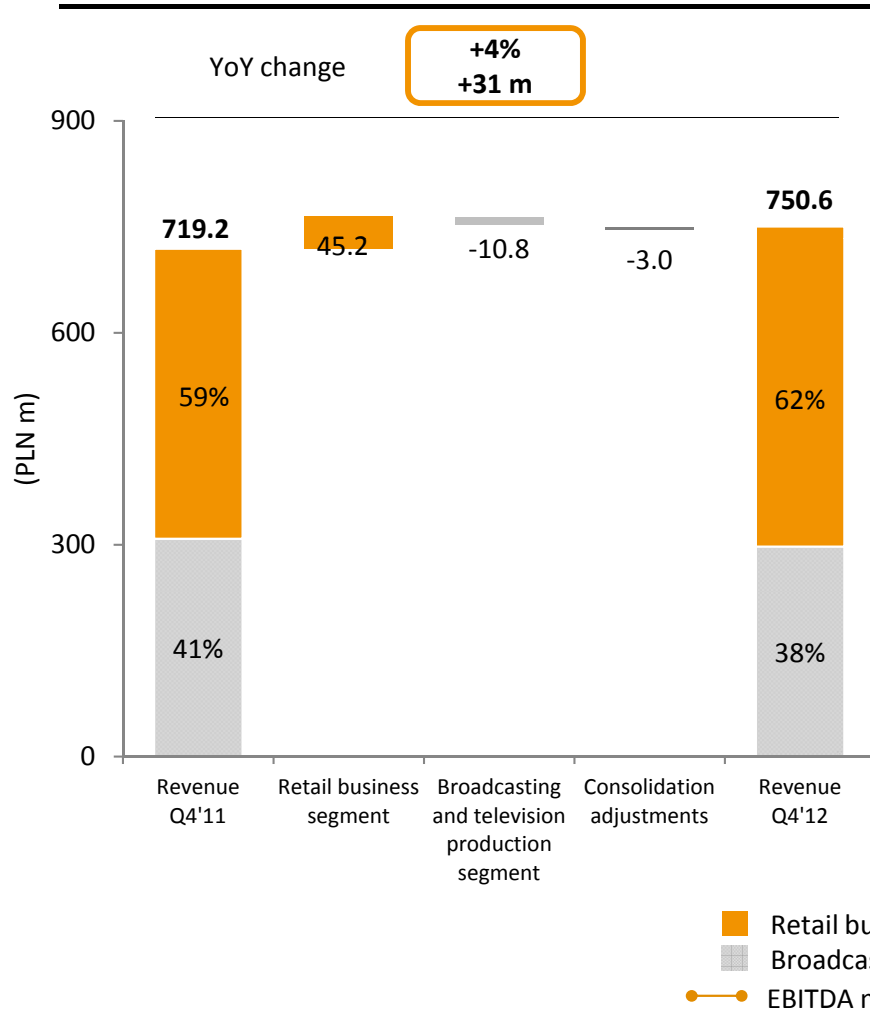
Note: (1) Costs do not include depreciation, amortization and impairment

(2) EBITDA includes one-off related to lower costs resulting from the agreement between TV Polsat and OZZPA (collective copyright management organizations) of PLN 11.5 million

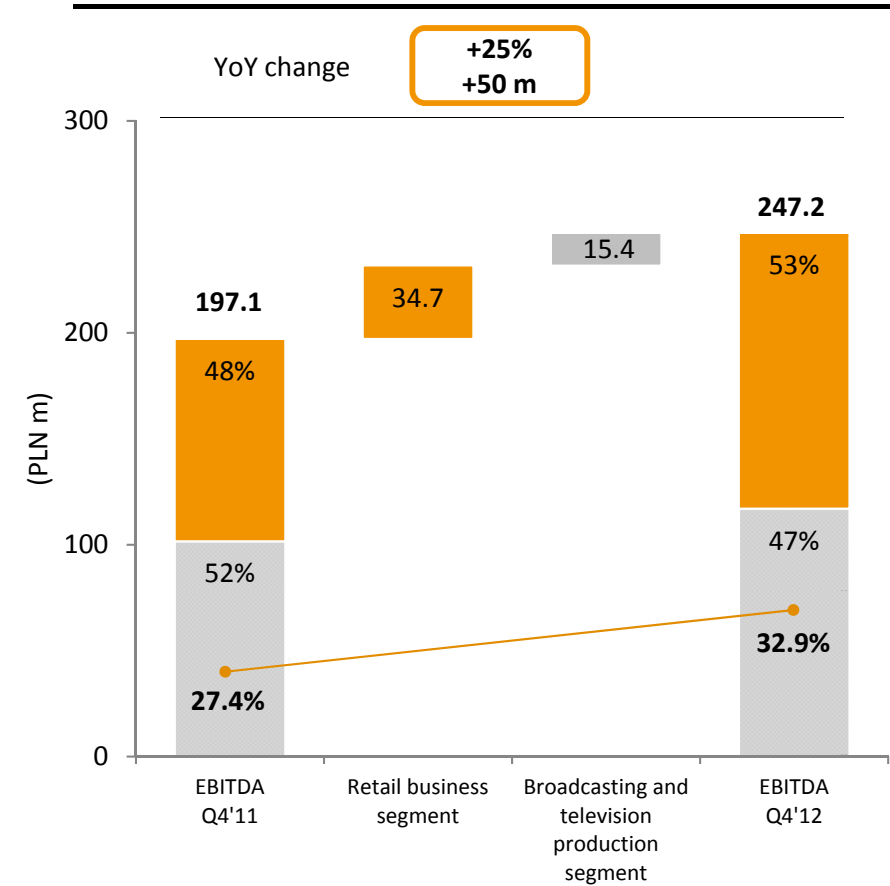
Revenue and EBITDA – growth drivers (Q4'12)



Revenue⁽¹⁾



EBITDA



Results of the Retail business segment⁽¹⁾ (Q4'12)



in PLN m	Q4 2012	YoY change	
Revenue	475	↑ 10%	• The highest in the history revenue from retail sales thanks to the steadily increasing ARPU and higher revenue from telecommunication services
Costs ⁽²⁾	345	↑ 3%	• Effective costs management despite a full quarter consolidation of the newly acquired companies
EBITDA	130	↑ 36%	• The fourth quarter in a row of EBITDA improvement compared to the prior year
EBITDA margin	27.5%	↑ 5.2pp	• The increase in the net profit mainly due to the foreign exchange gains on the Senior Notes revaluation (negative effect in the prior year) and lower debt service costs
Net profit	26	↑ >100%	

Source: Consolidated financial statements for year ended 31 December 2012 and internal analysis

Note: (1) Consolidation of this segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Trade Marks, Cyfrowy Polsat Finance, INFO-TV-FM (from 30 January 2012), the companies running ipla service (from 2 April 2012)

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

Results of the Broadcasting and television production segment⁽¹⁾ (Q4'12)



in PLN m	Q4 2012	YoY change		
Revenue	311	↓	(4%)	• The decrease in revenue mainly due to decline of advertising and sponsorship revenues
Costs ⁽²⁾	194	↓	(12%)	• Decrease in costs as a results of lower programming costs and an agreement with OZZPA
EBITDA ⁽³⁾	117	↑	15%	
EBITDA margin	37.7%	↑	6.1pp	• Positive impact of foreign exchange differences on the net profit compared to the prior year
Net profit	96	↑	26%	

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

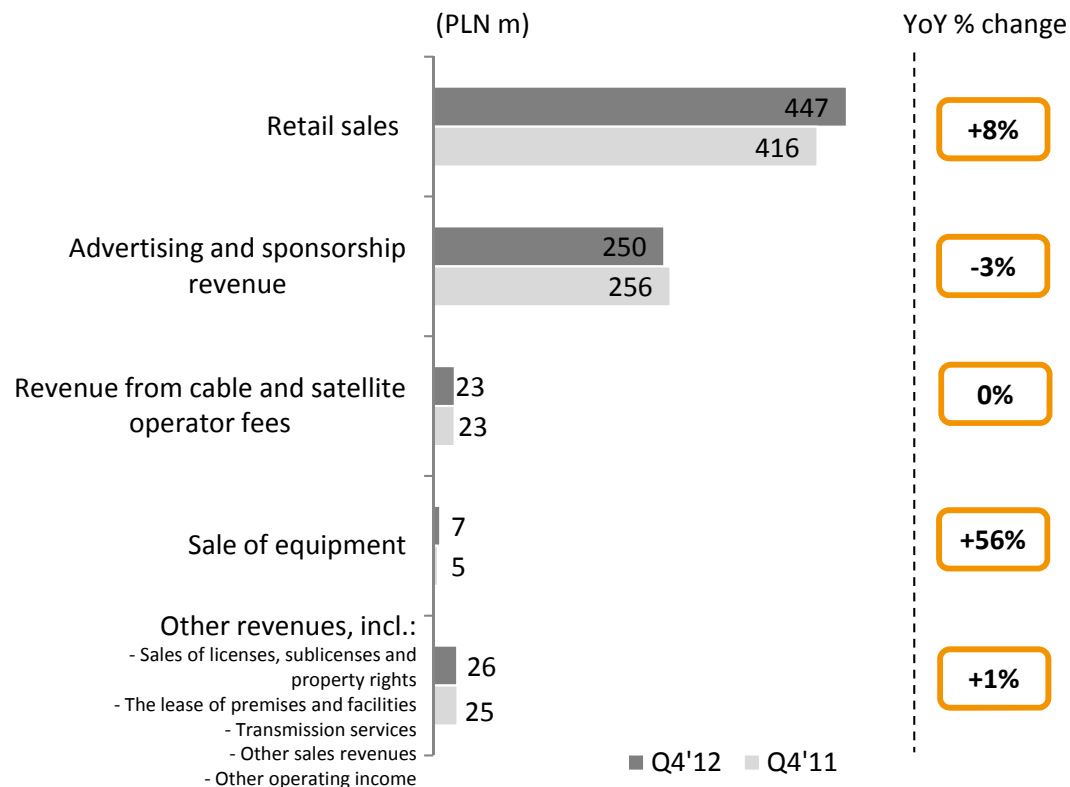
Note: (1) Consolidation of this segment include Telewizja Polsat Sp. z o.o. and all its subsidiaries

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

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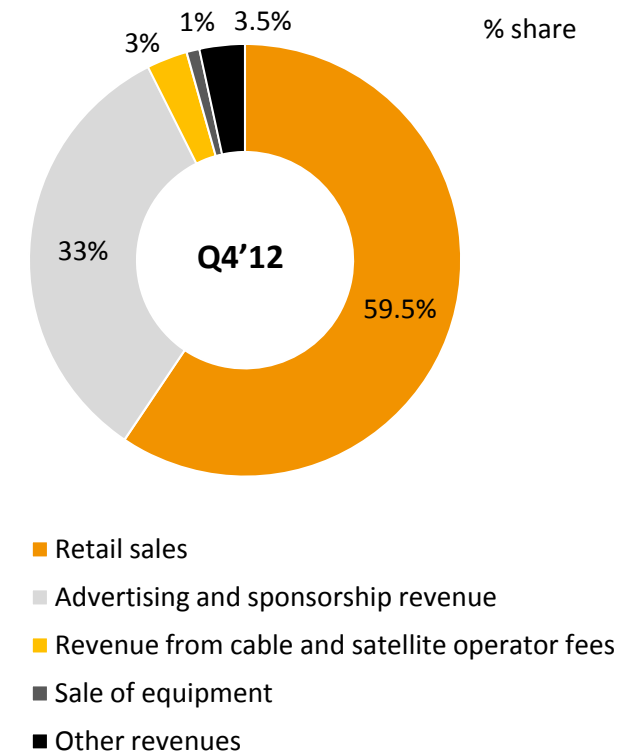
Revenue structure (Q4'12)

Revenue in Q4'12 vs. Q4'11



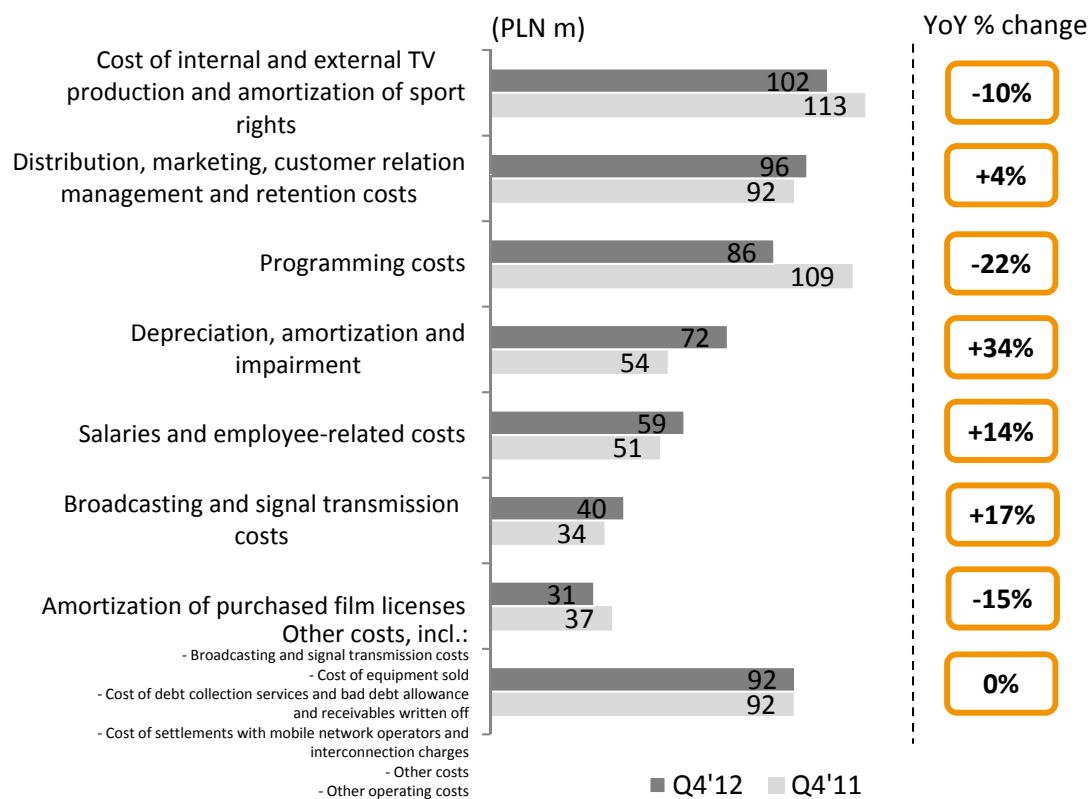
Total
 Q4'12 PLN 753 m
 Q4'11 PLN 725 m | **+4%**

Revenue breakdown



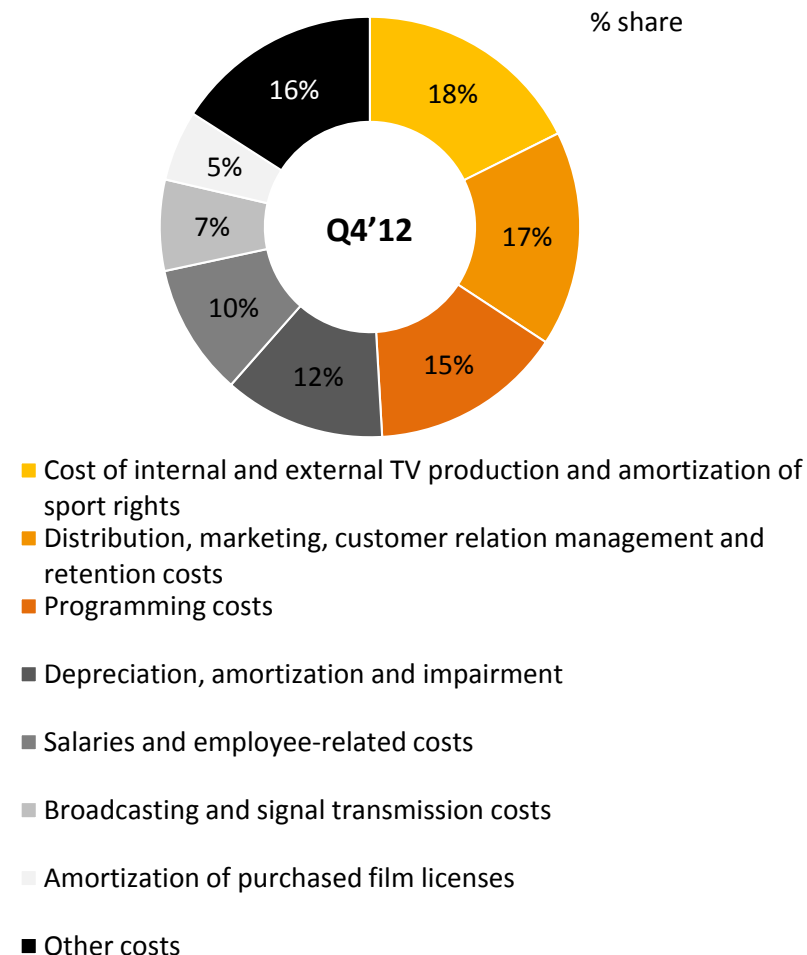
Cost structure (Q4'12)

Operating costs in Q4'12 vs. Q4'11

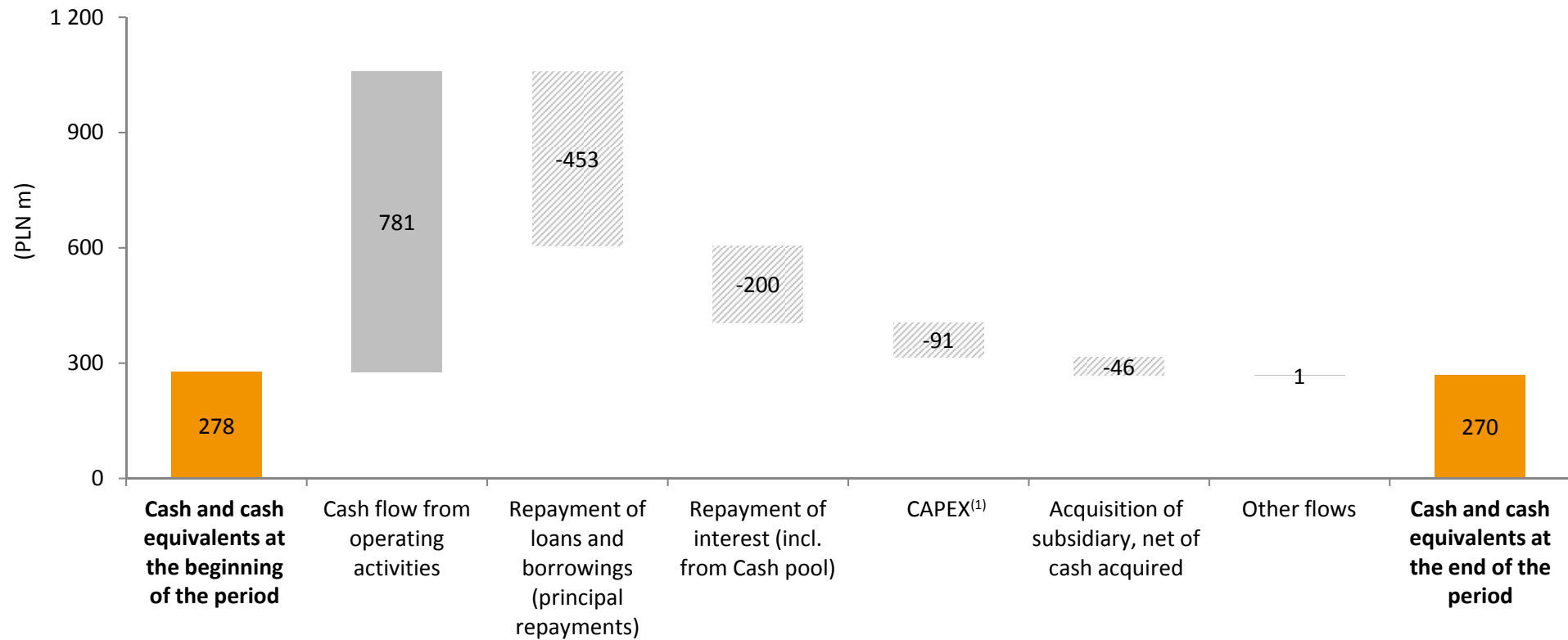


Total
 Q4'12 PLN 578 m | -1%
 Q4'11 PLN 582 m

Operating costs breakdown

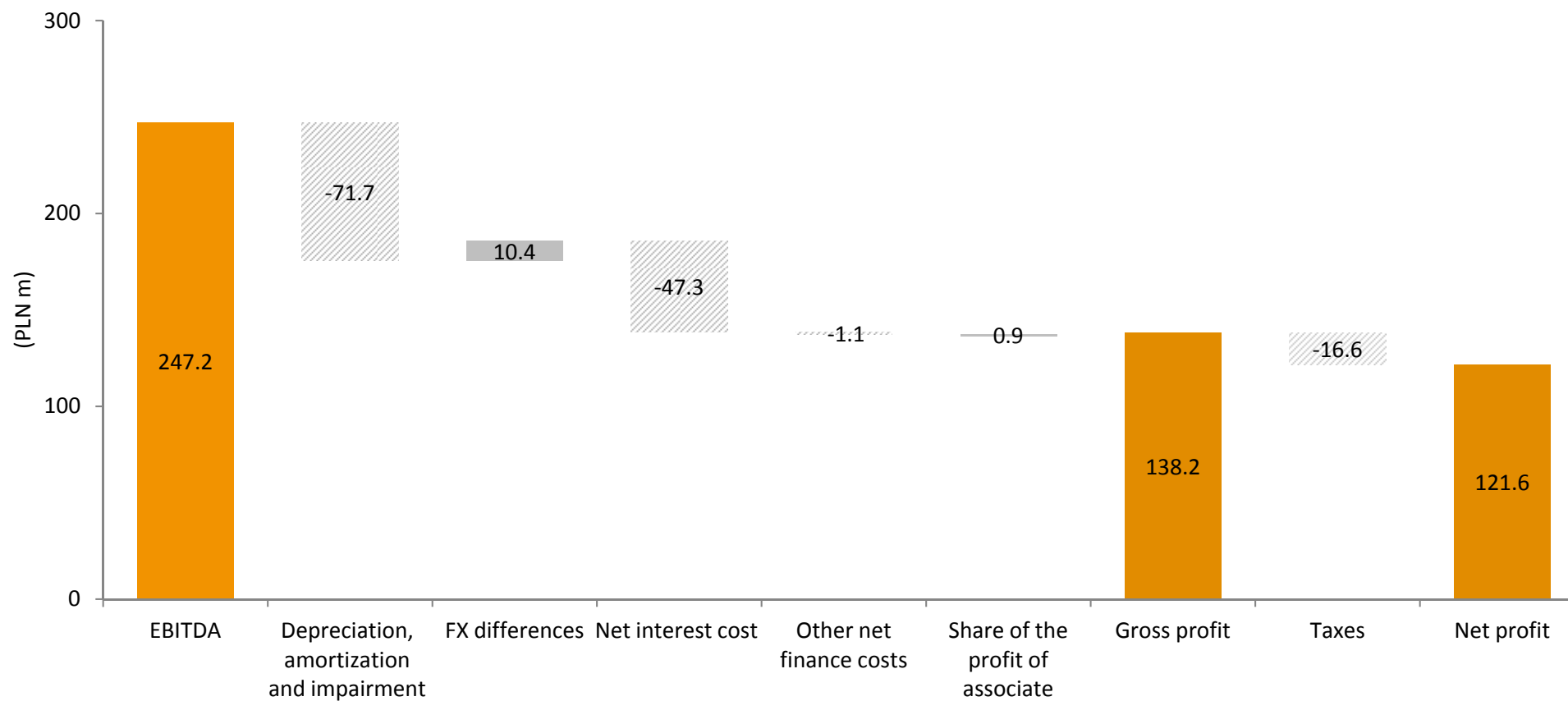


Net cash flow, cash position and debt – 2012



Items below EBITDA (Q4'12)

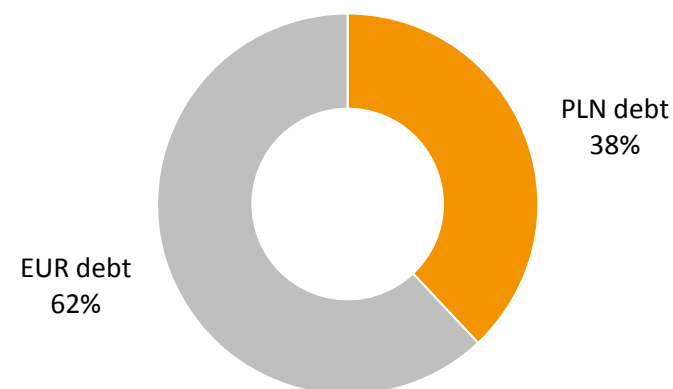
Depreciation, amortization, finance income and costs and taxes – Q4'12



Financial indebtedness

in PLN m	Dec. 31, 2012	Maturity
Senior facility ⁽¹⁾	868	2015
Senior Notes ⁽¹⁾	1,414	2018
Finance lease	1	2016
Cash and equivalents	270	-
Net Debt	2,012	
Comparable 12M EBITDA ⁽²⁾	1,032	
Net Debt / 12M EBITDA	1.95	

Currency structure of debt



Senior Notes Rating

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

Source: Consolidated financial statements for year ended 31 December 2012 and internal analysis

Note: (1) Carrying amount value of debt outstanding

(2) EBITDA including Telewizja Polsat Group

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2013 outlook

External factors

- Implementation of DTT
- Ad market under pressure of external macroeconomic factors
- Increasing popularity of mobile devices
- Growing role of new media



Our guidance

- Further fragmentation of TV market
- Decline of TV ad market by 4-6%
- Further growth of mobile Internet market
- Further increase of value of pay-TV market based on ARPU increase



Our goals

Operational targets

- Maintaining the stable level of the subscriber base (excluding subscribers migrating to Multiroom)
- Further ARPU growth
- Dynamic growth of broadband users number
- Increase the penetration of our subscriber base with multiplay
- Maintaining the stable level of audience share above 20% on the fragmented market
- Further and effective competition on the advertising market

Finance targets

- Continued revenue growth
- Maintaining strong margins
- Debt level below 2x net debt/EBITDA

5

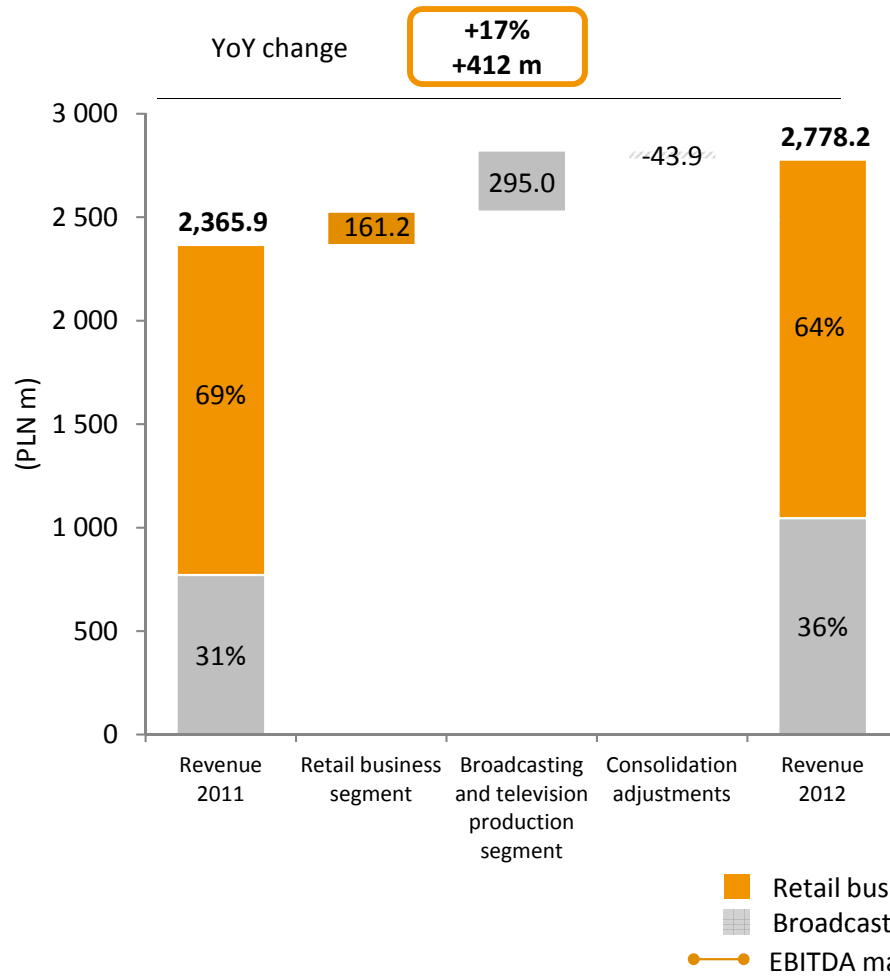
Appendix

Revenue and EBITDA

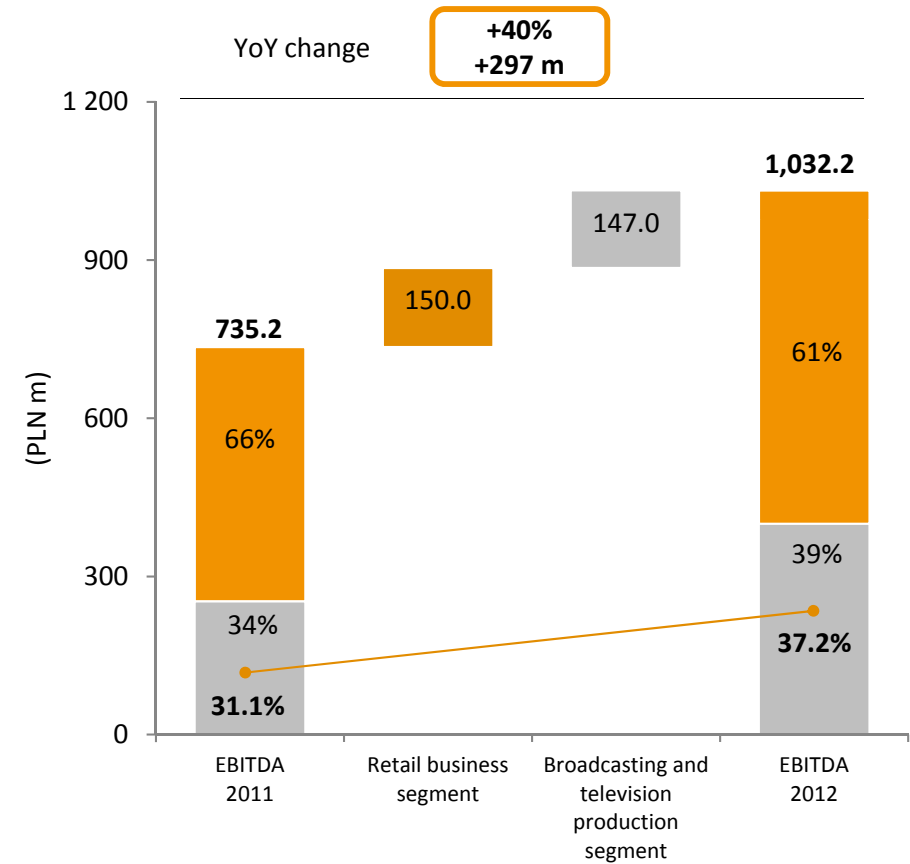
Growth drivers (2012)



Revenue⁽¹⁾



EBITDA



Results of the Retail business segment⁽¹⁾ (2012)



in PLN m	2012	YoY change		
Revenue	1,808	↑	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⁾	1,176	—	0%	
EBITDA	632	↑	31%	<ul style="list-style-type: none"> • Costs under control despite the negative impact of foreign exchange rates YoY
EBITDA margin	35.0%	↑	5.7pp	<ul style="list-style-type: none"> • Significant impact of dividend from TV Polsat on the net profit
Net profit	592	↑	>100%	

Source: Consolidated financial statements for year ended 31 December 2012 and internal analysis

Note: (1) Consolidation of this segment includes: Cyfrowy Polsat S.A., Cyfrowy Polsat Trade Marks, Cyfrowy Polsat Finance, INFO-TV-FM (from 30 January 2012), the companies running ipla service (from 2 April 2012)

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

Results of the Broadcasting and television production segment⁽¹⁾ (2012)

in PLN m	2012	YoY change		
Revenue	1,091	↓	(1%)	• Decrease in revenue from advertising and sponsorship compensated by increase in revenue from cable and satellite operators
Costs ⁽²⁾	691	↓	(9%)	• Decrease in costs as a results of lower programming costs and an agreement with OZZPA
EBITDA ⁽³⁾	400	↑	18%	
EBITDA margin	36.7%	↑	5.8pp	• 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	307	↑	32%	

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

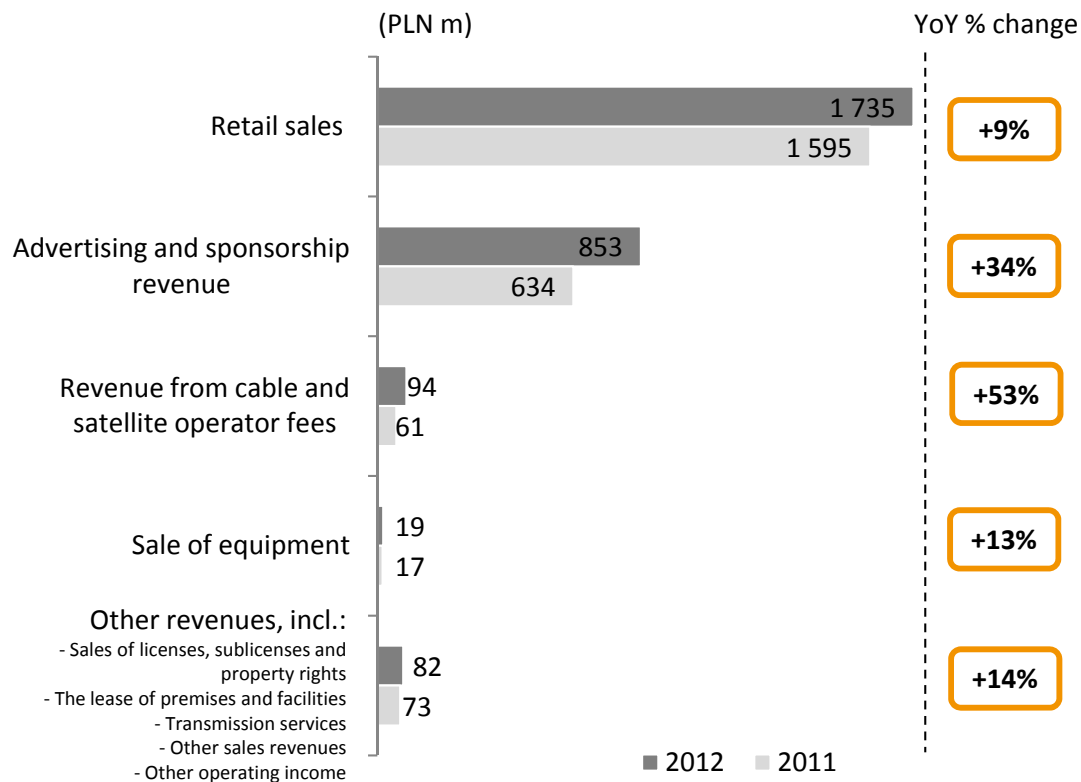
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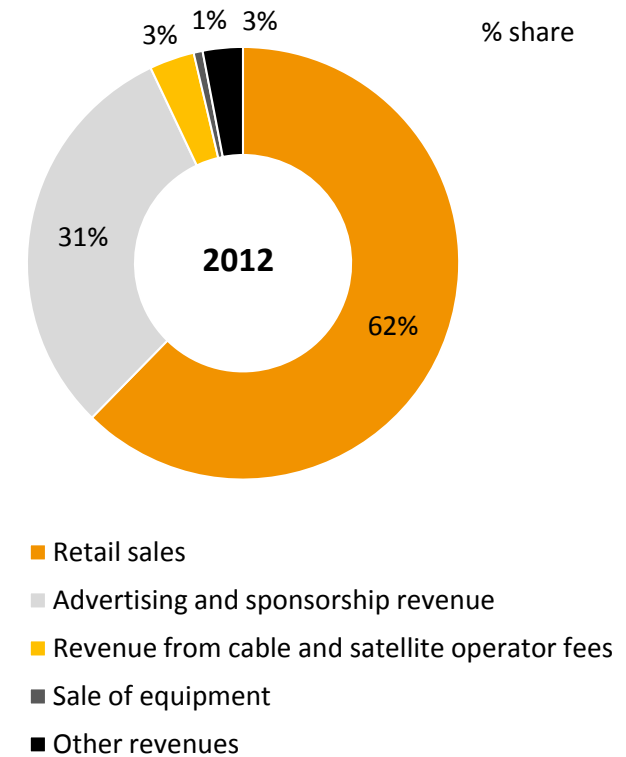
Revenue structure (2012)

Revenue in 2012 vs. 2011



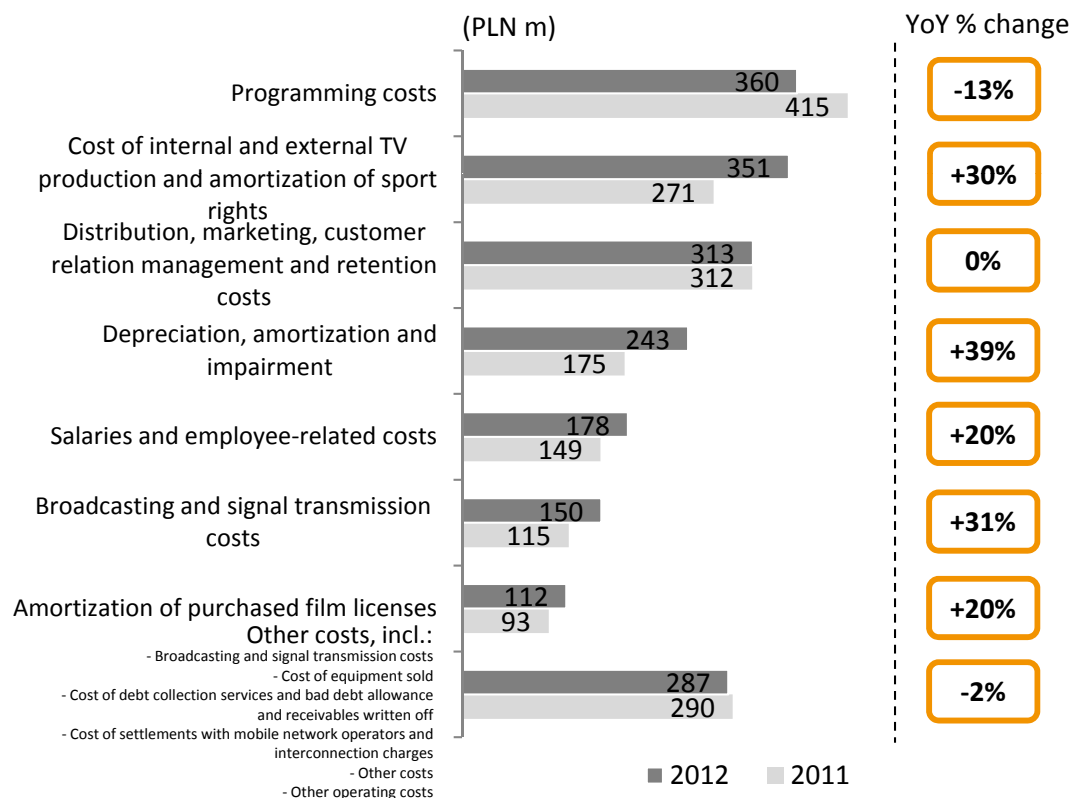
Total
 2012 PLN 2,783 m | +17%
 2011 PLN 2,380 m

Revenue breakdown



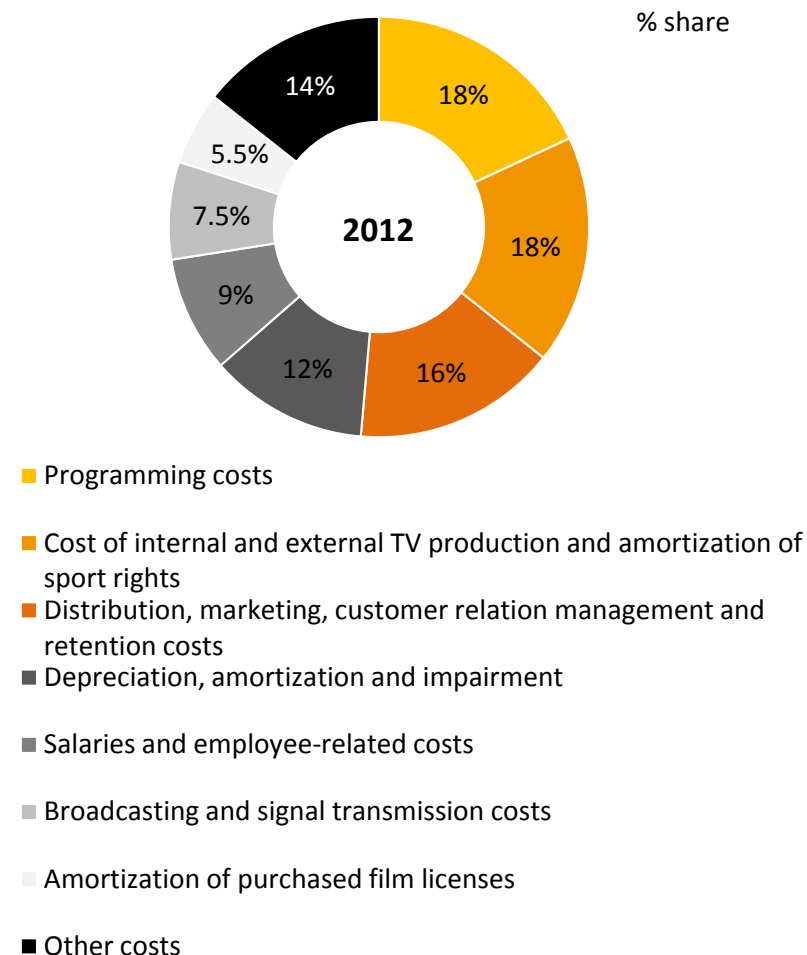
Cost structure (2012)

Operating costs in 2012 vs. 2011



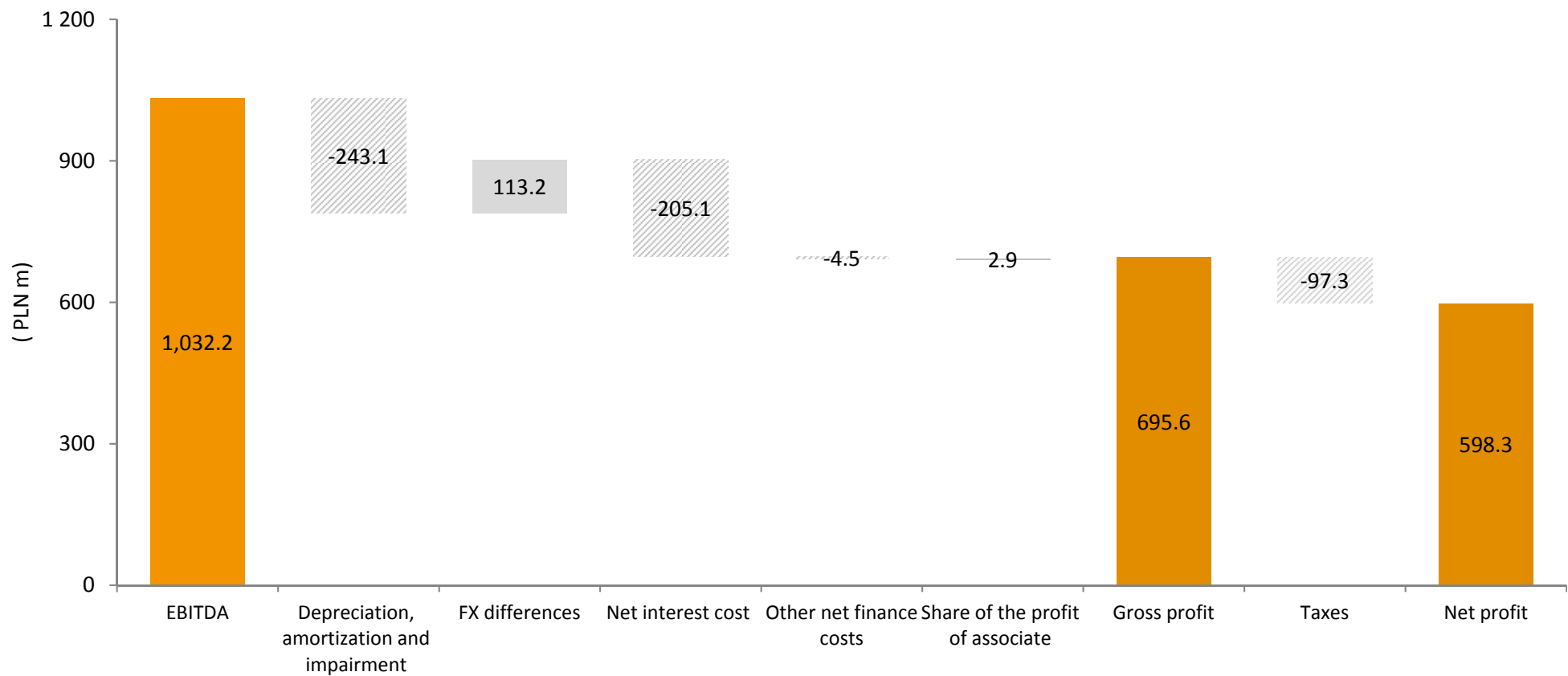
Total
 2012 PLN 1,994 m
 2011 PLN 1,820 m | +10%

Operating costs breakdown



Items below EBITDA (2012)

Depreciation, amortization, finance income and costs and taxes – 2012



5

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