

- Successful quarter of the Group both in terms of financial results, as well as the pace of implementation of the announced operating and financial synergies.
- Excellent sales results
 - Already **300 ths.** customers joined SmartDOM offer
 - Number of RGUs held by this group of customers amounts to over **1 million**
 - Marketing communication also positively affected sales of single play offers
- Implementation of **90%** of the financial synergies announced during the acquisition of Metelem group¹, as a result we increase our guidance to **PLN 700 m** cumulative through the end of 2019.
- Total revenue of the Group increased in Q2'14 PLN to PLN **1,751 bn**. Excluding the effect of consolidation of the results of Metelem group, the total revenue of the 'old' Group increased by 7%, to **PLN 793 m**, mainly as a result of:
 - Much better Polsat TV advertising revenues compared to the dynamics of the advertising market, as well as recognition in Q2'14 of revenues generated by the channels TV4 and TV6 (consolidated since September 1, 2013).
 - Increase in DTH subscription fee revenue and an increase in revenue from telecommunication services mainly as results of increased volumes of data transfer within our broadband Internet service.
- The costs of the Group (excl. depreciation, amortization, impairment and disposal) amounted to **PLN 1,042 bn**, while excluding the effect of consolidation of the results of Metelem group, our total operating costs increased by 7% YoY to **PLN 515 m** mainly due to:
 - Higher internal production costs of our main channel POLSAT, related to the new positions in the programming schedule, which assured our leading position in the spring season of our main channel and accounting for internal production costs of TV4 and TV6 channels, and higher costs of programming licenses directed to enhance our pay TV offer
 - Higher technical costs and costs of settlements with mobile operators resulting from the dynamic growth of the base of Internet users and larger volume of data transferred within our broadband Internet access services.
- TV Polsat Group recorded a **19.4%** increase in revenue from advertising and sponsoring as a result of much better Polsat TV advertising revenues compared to the dynamics of the advertising market and consolidation since September 2013 of TV4 and TV6 channels, thanks to which the Group increased its market share in Q2'14 to **24.8%**.
- Polsat Group achieved high EBITDA and EBITDA margin of **PLN 709 m** and **40.6%** respectively which is the result of consistent cost discipline and the consolidation of Metelem group.
- Financial costs increased to **PLN 273 m**. This increase is chiefly the effect of accounting for Metelem's group bond and loan-related interests costs and incurred bank charges in the amount of PLN 82.1 m related to the premature redemption of the EUR 350 million Senior Notes, issued in 2011 which was partially offset by lower EUR 350 m Senior Notes interest costs due to their premature redemption and lower foreign exchange differences on issued bonds. .
- Net profit amounted to **PLN 132m**, with an effective tax rate of **11%**. Net profit influenced by Metelem group's interest-related costs as well as one-time costs associated with pre-term repayment of CP term loan and CP Senior Notes.
- Main bank covenant – net debt/EBITDA based on balance sheet and nominal values amounted at the end of Q2'14 to **3.0x** and **2.8x** respectively.

¹ Includes full cost of refinancing and incremental interest savings

Financial results of Cyfrowy Polsat Group

Following the acquisition of Metelem Holding Company Limited on May 7, 2014, the condensed consolidated financial statements of Cyfrowy Polsat Capital S.A Group. consolidate the results of Metelem Holding Company Limited and its subsidiaries, including the telecommunications operator Polkomtel. In connection with the above we have modified the presentation of operating revenue and operating costs in the condensed consolidated income statement. None of the introduced modifications have affected the amounts of revenue, costs, net profit for the period, EBIDTA or total equity presented by Cyfrowy Polsat Capital Group in previous periods. In addition, it should be noted that data for the periods of Q2'14 are not fully comparable.

In PLN million	NEW GROUP				OLD GROUP	
	Q2'14	YoY change	Market consensus*	Difference	Q2'14	YoY change
Revenues, incl.:	1 751	137%	1 722	1.7%	793	7%
- Retail revenue	1 204	166%	n/a	n/a	471	4%
- Wholesale revenue	479	81%	n/a	n/a	304	15%
- Sale of equipment	55	371%	n/a	n/a	13	9%
- Other revenues	13	10%	n/a	n/a	5	-52%
Costs, incl.:	1 353	148%	n/a	n/a	580	6%
- Content costs	261	9%	n/a	n/a	259	8%
- Depreciation, amortization, impairment and disposal	311	400%	n/a	n/a	66	5%
- Technical costs and cost of settlements with mobile network operators	288	365%	n/a	n/a	74	19%
- Cost of equipment sold	190	1 027%	n/a	n/a	14	-14%
- Cost of debt collection services and bad debt allowance and receivables written off	18	95%	n/a	n/a	12	31%
- Distribution, marketing, customer relation management and retention costs	132	63%	n/a	n/a	76	-6%
- Salaries and employee-related costs	108	158%	n/a	n/a	48	15%
- Other costs	45	41%	n/a	n/a	31	-5%
EBITDA	709	176%	690	2.7%	279	8%
<i>EBITDA Margin</i>	40.6%	5.6pp	40.1%	0.5pp	35.1%	0.2pp
EBIT	398	104%	379	5.0%	213	9%
Net profit	132	64%	39	238%	93	15%

* Based on estimates prepared by: DM BOŚ, BZ WBK, Deutsche Bank, DM mBanku, Erste, Espirito Santo, ING, PKO BP, Raiffeisen, Trigon, UniCredit

Services to individual and business customer segment

In connection with the consolidation of the results of the newly-acquired Metelem Holdings Limited Group, indirectly controlling Polkomtel, started on May 7, 2014, the Company decided to adjust the method of presentation of certain operational data to the new structure and the mode of operations of our Group. The new layout of key performance indicators (KPI) relating to our services to individual and business customers segment, comprising in particular mobile telephony services, Internet access and pay TV are presented below.

It must be emphasized that the key performance indicators presented below for Q2'13 have been prepared to present the potential effect that the performance of Metelem, and Polkomtel in particular, would have had on the Group's operating results, if Metelem had been part of our Capital Group in the compared periods. These key performance indicators have been prepared for illustrative purposes only and because of their nature they present a hypothetical situation rather than the actual performance of the Group for the given periods.

	2Q		
	2014	2013	YoY change
Total number of RGUs (contract + prepaid)	16,250,497	16,434,266	-1.1%
CONTRACT SERVICES			
Total number of RGUs, including:	12,023,369	11,868,947	1.3%
Pay TV, including:	4,255,544	4,127,560	3.1%
<i>Multiroom</i>	771,481	633,475	21.8%
Mobile telephony	6,644,687	6,891,314	-3.6%
Internet	1,123,138	850,073	32.1%
Number of customers	6,221,111	6,306,877	-1.4%
ARPU per customer [PLN]	85.3	90.3	-5.5%
Churn	8.8%	8.8%	0 pp.
RGU saturation per one customer	1.93	1.88	2.6%
PREPAID SERVICES			
Total number of RGUs, including:	4,227,128	4,565,319	-7.4%
Pay TV	66,578	81,441	-18.3%
Mobile telephony	3,923,778	4,379,630	-10.4%
Internet	236,772	104,248	127.1%
ARPU per total prepaid RGU [PLN]	17.9	19.2	-6.8%

- **The total number of active services** provided by the Group both in the contract and prepaid models amounted to 16,250,497 and fell YoY by 1.1%. This change was mainly due to the decrease in the number of provided prepaid services by 338,191 in the second quarter of 2014 compared to the corresponding

period of the prior year, partially offset by an increase of 140,064 in the number of provided contract services in the analyzed period.

- At the end of Q2'14 the share of contract services in the total number of provided active services was 74.0%. This indicator increased YoY from 72.3%.
- **Contract services**
 - The total number of our customers, to whom we provided contract services amounted to 6,221,111, i.e. 1.4% less compared to the number of customers, which the Group would have had as at June 30, 2013, if Polkomtelt had been part of the Group at the time.
 - The number of active contract services provided by us in Q2'14 increased YoY by 1.3%, to 12,023,369. This change is primarily the effect of an increase of the number of broadband Internet access services by 32.1% due to our strategy of actively promoting sales of services provided in the LTE/HSPA+ technologies as well as the dynamically growing number of Internet users in Poland.
 - The total number of pay TV services provided in the contract model increased YoY by 3.1% in Q2'14 to 4,255,544 due to a significant increase in the number of Multiroom services provided. Concurrently, the number of provided mobile telephony services decreased at the end of Q2'14 to 6,644,687 due to the fact that the Polish mobile telephony market is highly competitive and mature. We believe that further saturation of our customer base with integrated services, including our offer SmartDOM, will positively influence the growth of the number of contract RGUs provided by us in the future.
 - ARPU per customer decreased YoY by 5.5% to PLN 85.3 in Q2'14. The observed decrease in ARPU is mainly the result of lower interconnect revenue related to the regulatory reduction of MTR rates on voice services by 48.1% from PLN 0.0826 in the first half of 2013 to 0.0429 in the first half of 2014, as well as lower prices on the mobile telephony market due to price pressure from our main competitors. The long-term goal of our Group, however, is to maximize revenue per contract customer through sales of additional products and services among others within the framework of our program SmartDOM, which already has a positive impact on ARPU per contract customer.
 - Thanks to our efficient customer retention programs our churn rate amounted to 8.8% in the twelve-month period ended June 30, 2014 and remained at a stable level compared previous year.
 - At the end of Q2'14 each customer from our customer base had 1.93 active contract services, which constitutes an increase of 2.6% compared to 1.88 active contract services per customer at the end of 2Q'13. The increase in RGU saturation per one customer is the result of our marketing and sales activities aimed at maximizing the sale of products and services to one customer.
- **Prepaid services**
 - The number of prepaid services provided by us decreased AT the end od Q2'14 by 7.4% to 4,227,128. This change was caused by a decrease in the number of provided prepaid mobile telephony services, adjusted by an increase in the number of broadband Internet access services provided in the prepaid model.

- ARPU per prepaid RGU 1 in Q2'14 fell by 6.8% to PLN 17.9. The main reason behind the decrease in both analyzed periods was the regulatory reduction of MTR rates on voice services by 48.1% from PLN 0.0826 in the first half of 2013 to 0.0429 in the first half of 2014, as well as lower prices on the mobile telephony market due to price pressure from our main competitors.

Broadcasting and television production segment

	2Q		
	2014	2013	% change
Audience share¹, including:	23.60%	19.66%	20.04%
POLSAT (main channel)	13.52%	13.38%	1.05%
Thematic channels	10.08%	6.28%	60.51%
Advertising market share²	24,8%	21.9%	13.4%
Television ad market spendings³ (mIn PLN)	1.076	1.022	5.3%

¹ NAM, All 16-49, all day, SHR%; Includes;

² Our estimates based on Starlink data;

³ Starlink, air time and sponsoring.

- Very good viewership results for our spring scheduling
 - Our main TV channel maintained its leading position in spite of progressing market fragmentation and broadcasting of FIFA World Cup in Brazil by TVP group channels in Q2'14
 - Viewership of our remaining channels increased mainly thanks to incorporating TV4 and TV6 to our group
- Revenue from advertising and sponsoring as a result of much better Polsat TV advertising revenues compared to the dynamics of the advertising market and consolidation since September 2013 of newly acquired TV4 and TV6 channels.
- We maintain our expectations on the middle single-digit increase of the advertising market.