

Analyst and investor briefing Q1'14

- Continued revenue growth of Polsat Group in Q1'14 by **4%** to **PLN 727m**, mainly thanks to:
 - organic growth of the retail business segment, which achieved a 2% YoY revenue growth,
 - consolidation since September 2013 of the newly acquired company Polskie Media S.A.
- Decrease in costs by **2%** YoY (excluding depreciation, amortization, impairment and disposal) generated mainly due to lower costs of:
 - equipment sold
 - amortization of purchased film licenses
 - distribution, marketing, customer relation management and retention.
- TV Polsat Group recorded a **13.5%** increase in revenue from advertising and sponsoring as an effect of the organic growth enhanced by the consolidation of newly acquired TV4 and TV6 channels, thanks to which the Group increased its market share in Q1'14 to **24.9%**.
- Polsat Group achieved high EBITDA and EBITDA margin of **PLN 281m** and **38.9%** respectively.
- Neutral impact of the Polish zloty exchange rate YoY in Q1'14 on costs denominated in foreign currencies, which at that time accounted for **33%** of the total operating cost (EUR and USD).
- Financial costs reached **PLN 109m** as a result of one-off cost in the amount of PLN 50m resulting from the settlement of costs of obtaining financing for the purchase of TV Polsat, which was partially offset by a lower negative valuation effect of the Senior Notes and lower debt service costs (i.a. lower interest cost resulting from prepayments of the term facility loan in Q3'12, Q2'13 and Q3'13).
- Net profit amounted to **PLN 98m**, with an effective tax rate of **13%**.
- Main bank covenant – net debt/EBITDA fell from 1.93 at the end of Q1'13 to **1.43x** at the end of Q1'14.
- Key performance indicators in the 1st quarter:
 - Number of pay digital television subscribers amounted to **3.53 m** as at the end of Q1'14, of which **76%** and **24%** accounted for Family and Mini subscribers, respectively.
 - Family Package ARPU increased to PLN **49.6** and Mini Package ARPU increased to PLN **13.6**.
 - Churn rate (blended) of **9.3%**.
 - Number of Internet users increased YoY to **255 ths**.
 - Reported audience share of TV Polsat channels in Q1'14 was **22.5%**, and TV advertising market share amounted to **24.9%**.

Financial results of Cyfrowy Polsat Capital Group

in PLN million	Q1 2014	YoY change	Market consensus*	Difference
Revenue, incl.:	726.7	3.9%	726.8	0.0%
- Retail revenue	468.1	3.6%	N/A	N/A
- Advertising and sponsoring revenue	211.6	14.8%	N/A	N/A
- Revenue from cable and satellite operator fees	25.0	0.4%	N/A	N/A
- Sale of equipment	7.9	-39.8%	N/A	N/A
- Other revenue	14.1	-44.0%	N/A	N/A
EBITDA	281.4	14.7%	256.9	9.5%
<i>EBITDA margin</i>	38.9%	3.7pp	35.3%	3.6pp
EBIT	218.9	18.6%	190.7	14.8%
Net profit	98.2	3.2%	87.6	12.0%
Capex/Revenue (%)	5.5%	0.5pp	N/A	N/A

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

Retail business segment

	Q1		
	2014	2013	Change
Users of our pay-TV services			
Number of subscribers at the end of the period, of which:	3,527,519	3,555,806	-0.8%
Family Package	2,672,804	2,750,438	-2.8%
Mini Package	854,715	805,368	6.1%
Churn rate, of which:	9.3%	8.7%	0.6 pp
Family Package	9.2%	9.1%	0.1 pp
Mini Package	9.8%	7.3%	2.5 pp
Average revenue per user (ARPU) (PLN), of which:	40.9	40.3	1.5%
Family Package (PLN)	49.6	48.2	2.9%
Mini Package (PLN)	13.6	13.2	3.0%
Users of our mobile Internet services at the end of period	255,205	173,187	47.4%

- Stable pay-TV subscriber base and low churn rate achieved thanks to high customer satisfaction and effective retention programs.
- Already 85% of our customers use HD set-top boxes and almost 20% of our customers have Multiroom service.
- ARPU continued YoY upward trend, which results mainly from a growing number of premium customers as well as from additional services (i.a. Multiroom, VoD).
- Number of broadband Internet users increased to 255 ths., which resulted in a significant growth of revenue from telecommunication services.
- In Q1'14 the number of users of IPLA application and website, according to our estimates, amounted on average to nearly 4.2 million monthly.

Broadcasting and television production segment

	1Q		
	2014	2013	% change
Audience share¹, including:	22.50%	20.20%	11.39%
POLSAT (main channel)	13.20%	14.56%	-9.34%
Thematic channels	5.75%	5.64%	1.95%
Polskie Media (TV4/TV6)	3.55%	-	-
Advertising market share²	24.9%	23.0%	8.4%
Television ad market spendings³ (PLN m)	832	794	4.7%

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

² Our estimates based on Starlink data;

³ Starlink, air time and sponsoring.

- Very good audience results of TV Polsat Group in Q1'14:
 - The main channel back on top in terms of audience shares despite the ongoing process of market fragmentation and transmission of the winter Olympic Games in Sochi in Q1'14 by TVP group channels
 - Audience share of the other channels of the Group increased by 65% YoY, mainly due to new channels TV4 and TV6
- Organic growth of TV advertising and sponsorship revenue enhanced by the consolidation of newly acquired TV4 and TV6 channels, thanks to which the Group increased its market share in Q1'14 to 24.9%.
- We maintain our expectations on the average single-digit increase of the advertising market.

Cyfrowy Polsat Group's objectives in H2'14

- Consolidation of results of the new group starting from 7 May 2014
- Change in the results presentation and reporting:
 - separate communication regarding the new reporting standards before Q2'14 results publication
 - first report of the new group on 28 August, 2014
- Continuation of the integration process of Cyfrowy Polsat and Polkomtel
- Further implementation of joint sales initiatives and new product development of the group