

# Analyst and investor briefing Q2'13

- Consecutive quarter of very good financial results, in line with market consensus and achieved in a relatively difficult market conditions.
- Further growth of Polsat Group revenue in Q2'13 of **3%** to **PLN 740m**, mainly thanks to the organic growth of the retail business segment, which once again achieved record revenue at **8%** growth YoY.
- Increase in costs by **8%** YoY (excluding depreciation, amortization and impairment) generated by the projects launched in the retail segment.
- TV Polsat Group recorded **5%** decline in advertising and sponsoring expenditures, consistent with the market, maintaining the Group's share in the market in Q2'13 at **22.7%**.
- High Group's EBITDA and EBITDA margin of **PLN 257m** and **35.0%** respectively, achieved despite the still unfavorable advertising market conditions.
- Neutral impact of appreciation of the zloty YoY in Q2'13 on costs denominated in foreign currencies, which at that time accounted for **35%** of the total operating cost (EUR/USD).
- Negative effect of the valuation of Senior Notes of **PLN 52m** partially offset by lower debt service costs of **PLN 8m** (i.a. lower interest cost resulting from the prepayment of term facility loan in 3Q'12).
- Net profit amounted to **PLN 81m**, with an effective tax rate of **14%**.
- Main bank covenant – net debt/EBITDA went down from 2.52x at the end of Q2'12 to **1.90x** at the end of Q2'13.
- Key operating developments in the 2<sup>nd</sup> quarter:
  - Number of pay digital television subscribers amounted to **3.55 m** as of the end of Q2'13, of which **77%** and **23%** accounted for Family and Mini subscribers respectively
  - Family Package ARPU increased YoY by **5.2%** to **PLN 48.3** and Mini Package ARPU amounted to **PLN 12.8**
  - Churn rate (blended) went down to the level of **8.8%**
  - Number of Internet users almost doubled (YoY) to **188 ths**
  - Audience share of TV Polsat channels in Q2'13 was **19.7%**, and TV advertising market share amounted to **22.7%**

## Financial results of Cyfrowy Polsat Capital Group

in PLN million	Q2 2013	YoY change	Market consensus *	Difference
<b>Revenues, incl.:</b>	<b>739.9</b>	<b>3.5%</b>	<b>732.3</b>	<b>1.0%</b>
- Retail revenue	452.4	5.7%	N/A	N/A
- Advertising and sponsoring revenue	226.6	-4.9%	N/A	N/A
- Revenue from cable and satellite operator fees	24.5	4.0%	N/A	N/A
- Sale of equipment	11.8	89.8%	N/A	N/A
- Other revenues	24.6	29.4%	N/A	N/A
<b>EBITDA</b>	<b>257.3</b>	<b>-4.6%</b>	<b>256.7</b>	<b>0.2%</b>
<i>EBITDA margin</i>	35.0%	-2.8pp	35.1%	-0.1pp
<b>EBIT</b>	<b>195.0</b>	<b>-8.5%</b>	<b>195.4</b>	<b>-0.2%</b>
<b>Net profit</b>	<b>80.7</b>	<b>-18.9%</b>	<b>86.7</b>	<b>-6.9%</b>
<b>Capex/Revenues (%)</b>	<b>3.5%</b>	<b>0.9pp</b>	<b>N/A</b>	<b>N/A</b>

\* Based on estimates prepared by: BDM, BZ WBK, Deutsche Bank Erste, Espirito Santo, IDMSA, ING, Ipopema, PKO BP, Raiffeisen, Societe Generale, Trigon, UniCredit

## Retail business segment

	Q2		
	2013	2012	Change
<b>Users of our pay-TV services</b>			
<b>Number of subscribers at the end of period, of which:</b>	<b>3,545,582</b>	<b>3,553,473</b>	<b>-0.2%</b>
Family Package	2,720,118	2,750,888	-1.1%
Mini Package	825,464	802,585	2.9%
<b>Churn rate of which:</b>	<b>8.8%</b>	<b>9.2%</b>	<b>-0.4 pp</b>
Family Package	9.1%	9.5%	-0.4 pp
Mini Package	7.9%	8.1%	-0.2 pp
<b>Average revenue per user (ARPU) (PLN), of which:</b>	<b>40.1</b>	<b>38.8</b>	<b>3.4%</b>
Family Package (PLN)	48.3	45.9	5.2%
Mini Package (PLN)	12.8	13.2	-3.0%
<b>Users of our mobile Internet services at the end of period</b>	<b>187,628</b>	<b>99,069</b>	<b>89.4%</b>
<b>Users of our mobile telephony services at the end of period <sup>(1)</sup></b>	<b>136,324</b>	<b>142,171</b>	<b>-4.1%</b>

<sup>1</sup> Users of our MVNO service and our clients who bought Polkomtel's mobile telephony service within cross promotion

- Stable pay-TV subscribers base vs Q2'12 and low churn rate achieved thanks to the high customer satisfaction and effective retention programs.
- Almost 80% of our subscribers use HD set-top box and ca. 16% are Multiroom service clients.
- ARPU continued upward trend, which comes mainly from acquiring higher number of premium customers as well as from additional services (i.a. Multiroom, VoD, PPV). ARPU of Mini Package was also influenced by longer free-of-charge periods for new customers of TV Mobilna service vs DTH.
- Number of broadband users exceeded 188 ths., which resulted in significant growth of revenues from telecommunication co services.
- In 1H'13 the monthly average real users of IPLA's Internet application and the website amounted to over 2.5 million. In addition, in the same period, IPLA recorded monthly, an average of about 1.3 million users of application for mobile devices, Smart TVs, set-top-boxes and game consoles (Megapanel PBI/Gemius, company data).

## Broadcasting and television production segment

	Q2			1H		
	2013	2012	% change	2013	2012	% change
<b>Audience share<sup>1</sup>, including:</b>	<b>19.66%</b>	<b>20.03%</b>	<b>-1.85%</b>	<b>19.96%</b>	<b>20.59%</b>	<b>-3.06%</b>
POLSAT (main channel)	13.38%	15.51%	-13.73%	14.02%	16.13%	-13.08%
Thematic channels	6.28%	4.51%	39.25%	5.94%	4.45%	33.48%
Polskie Media (TV4/TV6)	3.56%	2.99%	19.06%	3.47%	2.91%	19.24%
<b>Advertising market share<sup>2</sup></b>	<b>22.7%</b>	<b>22.6%</b>	<b>0.5%</b>	<b>23.1%</b>	<b>23.4%</b>	<b>-1.2%</b>
<b>Television ad market spendings<sup>3</sup> (PLN m)</b>	<b>987</b>	<b>1,044</b>	<b>-5.4%</b>	<b>1,761</b>	<b>1,884</b>	<b>-6.5%</b>

<sup>1</sup> NAM, All day 16-49 audience share; excluding shares of Polskie Media (TV4/TV6)

<sup>2</sup> Our estimates based on Starlink data; excluding shares of Polskie Media (TV4/TV6)

<sup>3</sup> Starlink, air time and sponsoring

- Audience share of the main channel under influence of the extension of DTT reach (switch-off of the analogue transmitters at the end of July 2013) and consequent policy of effective management of scheduling in order to maximize the TV Polsat Group EBITDA margin – a high level of 34.0% in Q2'13.
- Stable TV ad market share amounting to 22.7%, despite the fragmentation of the
- We maintain our expectations on the decline of the TV ad market in 2013 at the level of 4-6%.