



Financial results

Q3 2014

13 November 2014

Cyfrowy Polsat S.A. Capital Group



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.

As consolidation of the results of Metelem Holding Company Limited, the company indirectly controlling Polkomtel, started from 7 May 2014, the Company has decided to adjust the method of presentation of its operational data so as to align it with the new structure and mode of operation of our Group. The presentation contains the new set of key performance indicators (KPI's), covering our operations in the fields of telecommunications and pay TV. The operational indicators from before that period are only of informational nature and they demonstrate the impact that Metelem Group's operational performance, Polkomtel's results in particular, would have the Group's operational results, had Metelem Group been part of Polsat Group during these periods. The KPI's are illustrative only and due to their nature they only present a hypothetical situation, hence they do not present the Group's actual operational results for specific periods.



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1. Keystone events



Tomasz Gillner-Gorywoda

President of the Management Board, CEO



Key facts in Q3'14



- Excellent sales results of the Group's core products, supported by SmartDOM offer marketing communication
- Number of RGU increased to 16.4 m in Q3'14
- Stable contract customer base of 6.2 m
 - ARPU increased to 86.5 PLN
 - RGU saturation of 1.98 per customer with an upward trend
 - Stable churn of 8.8%
- Leading viewership share for Polsat TV at the level of 24.1% with share in TV advertising market growing to 26.3%
- Solid financial performance in Q3'14
 - Revenue: 2.4 bn PLN
 - EBITDA: 910 m PLN
 - EBITDA margin: 37.6%



New products and services



- New release of SmartDOM offer – now also available to new customers⁽¹⁾
- „Plush na Kartę” (“Prepaid Plush”) – a new brand on the telecommunication market - this prepaid offer is addressed mainly to young consumers
- „Plush Mix” (with smartphone) offer, launched in October as a variation of the unlimited „Plush” prepaid offer (the contractual obligation to a specific number of top-ups)
- The new smartFIRMA (smartCOMPANY) offer enables clients to combine variety of services, i.e. mobile telephony, LTE Internet access and fixed-line voice services, generating significant savings for the customer
 - The offer also includes PlusBank products, electrical power from Plus and a wide portfolio of supplementary services which support and develop customer’s businesses

Note: (1) Before October 2014 the SmartDOM offer was available only to existing Cyfrowy Polsat and Plus customers



New products and services – cont.



- Coverage of the FIVB Volleyball Men's World Championship, Poland 2014
 - For the first time we have launched several so-called "pop-up channels"
 - 4 dedicated Polsat Volleyball channels
 - TV coverage of one of the biggest sporting events in the world
 - Over 200 hours and 103 matches broadcasted live worldwide
 - Polsat Volleyball 1 – an absolute leader in viewership among theme channels broadcasted by Cyfrowy Polsat digital platform
- Consistent new technologies leader
 - First successful test of LTE Broadcast - a breakthrough eMBMS⁽¹⁾ technology & Multicamera transmission on IPLA
 - Successful LTE Advanced dual carrier aggregation tests based on 1800MHz and 2600MHz bandwidth – resulting in download speed reaching 300Mb/s

Note: (1) Multimedia Broadcast Multicast Services



Corporate events



- Changes to Cyfrowy Polsat's Management Board
 - Resignation of Mr. Dominik Libicki from the position of President of the Management Board
 - Appointment of Mr. Tomasz Gillner-Gorywoda to the position of President of the Management Board
 - Appointment of Mr. Maciej Stec to the position of Member of the Management Board
- UKE (Office for Electronic Communications) has announced an auction for:
 - 5 blocks of 5 MHz each from the 800MHz bandwidth (with the opening price of PLN 250m per block)
 - 14 blocks of 5 MHz each from the 2600 MHz bandwidth (with the opening price of PLN 25m per block)
- UKE decision regarding allocation of the 1800 MHz bandwidth extension for the next 15 years - the up-front fee of PLN 365.4m has been settled and entered into Company's books in September
- Continuation of our efforts aimed at the implementation of synergies planned in the area of IT through cooperation with Asseco Poland in the process of further developing Polsat Group's proprietary sale support solutions



2. Operations Report





2.1 Services to individual and business customers



Tomasz Gillner-Gorywoda

President of the Management Board, CEO



Cyfrowy Polsat Group – major facts



6.2 m
contract customers⁽¹⁾

16.4 m **RGU**

12.2 contract services

4.2 prepaid services

1.98 **RGU**
per customer⁽¹⁾
PLN 86.5 **ARPU**
per customer⁽¹⁾

 **10.5 m** telephony
 **4.4 m** pay TV
 **1.5 m** Internet

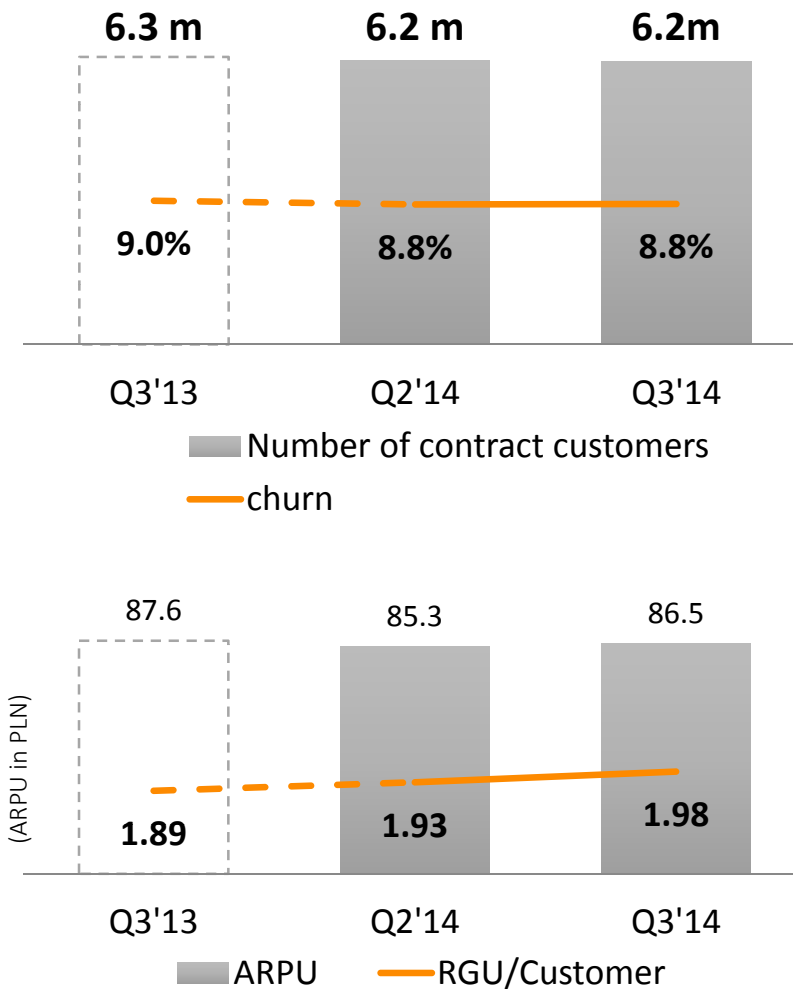
Note: (1) contract customers only



Loyal contract customer base



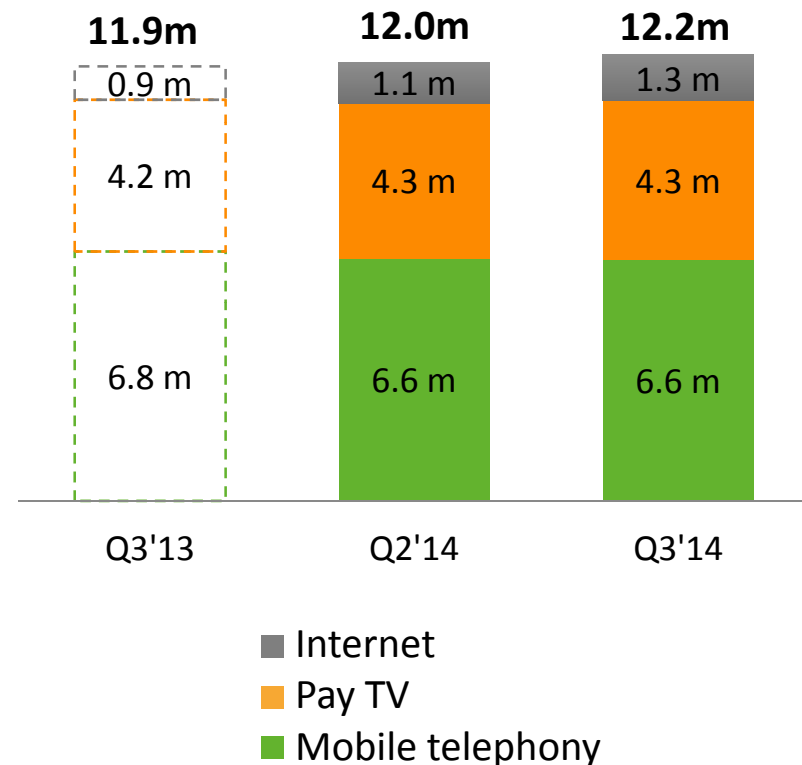
- Our unique contract customer base forms the foundation of our multiplay strategy
- Stable churn ratio
- Strategy of maximization of sales of products and services per customer:
 - ARPU per customer at the level of PLN 86.5
 - RGU saturation per contract customer increased to 1.98x



Growing number of contracted services

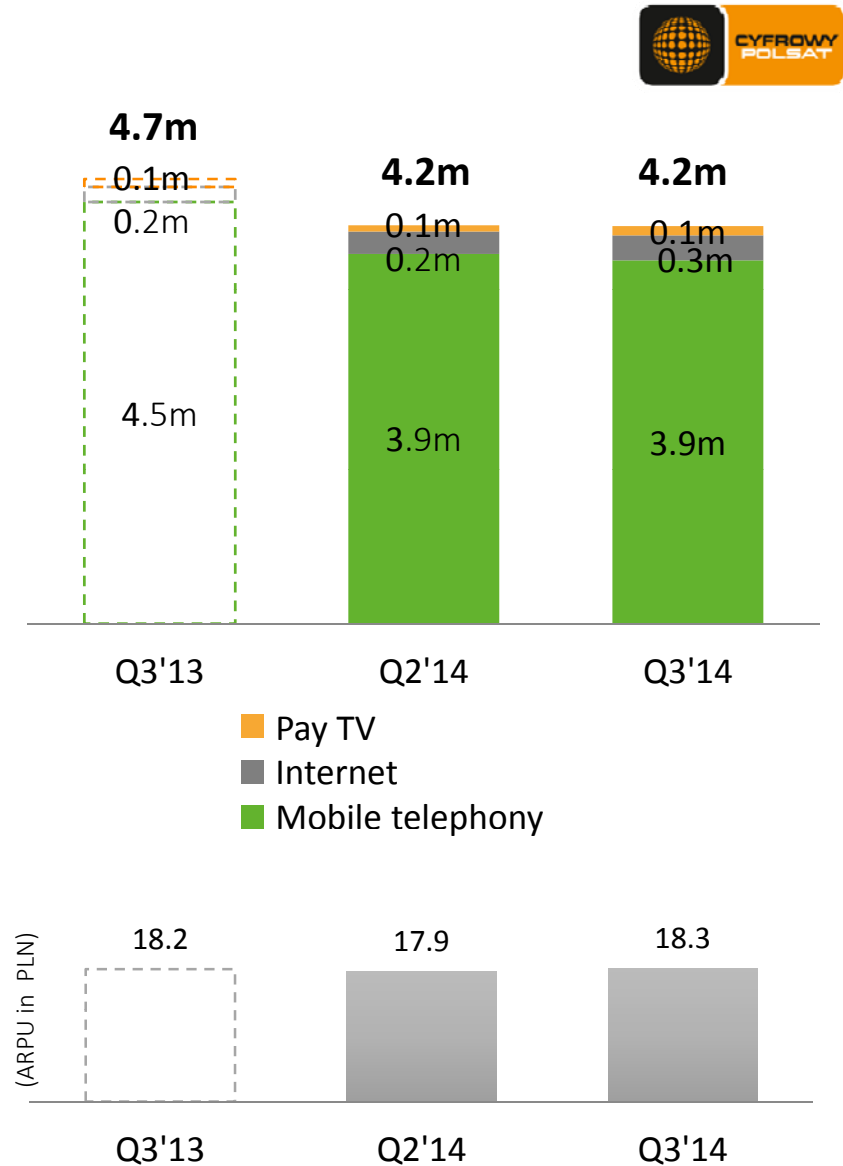


- Base of RGU contract services mainly affected by:
 - Cross-selling of core services to the combined customer base of Cyfrowy Polsat and Polkomtel, predominantly within SmartDOM program
 - Rapidly growing impact of mobile internet services
 - Multiroom Program fueling the dynamic growth of the number of pay TV services provided



Prepaid services

- Base of active prepaid services customers is a stable source of revenue and provides potential for future migration of users to the contract customer base
- ARPU for prepaid RGU amounted to PLN 18.3 in Q3'14



Effective implementation of multiplay strategy



- Excellent sales results
 - EOP Q3'14, SmartDOM had over 380 thousand customers (growth by 210 thousand compared to Q2'14)
 - Total number of RGUs contracted by this group of customers exceeded 1.2m
 - In Q3'14 alone, new entrants to the SmartDOM program purchased ca. 460 thousand additional services (RGU)
- Positive influence of the SmartDOM marketing campaign on the standard (single-play offer) sales level
- SmartDOM program has a positive impact on ARPU per contract customer

A man and a woman are shown from the waist up, standing back-to-back. The man on the left is holding a tablet that says "POWER LTE" and has a red tag hanging from it that says "-50%". The woman on the right is holding a smartphone and has a red tag hanging from it that says "1 zł".

Kup telewizję w Cyfrowym Polsacie

Internet Power LTE bez limitu danych dostaniesz **za połowę ceny**, a nielimitowane rozmowy do wszystkich sieci komórkowych nawet **za 1 zł miesięcznie**.

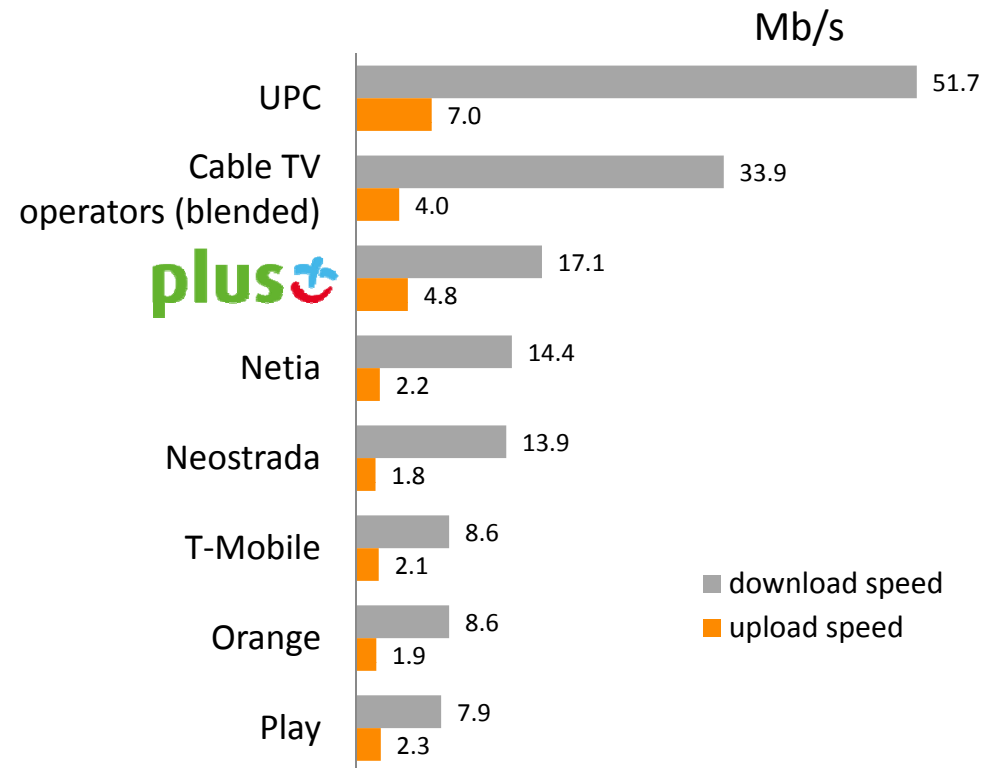
The SmartDOM logo, which consists of a red house-shaped icon with the text "smart DOM" inside.

Power LTE – more than just mobile Internet



- We provide the fastest broadband mobile internet service in Poland
- In Q3'14 we've acquired a total of 174 000 additional RGUs 145 000 contracted and 29 000 prepaid RGUs of mobile Internet
- We have a total of over 1.5 m mobile internet RGUs, which makes us an undisputed market leader of our industry
- Power LTE is increasingly becoming an accepted alternative for traditional home internet access

Independent ranking of data transfer speeds offered by ISP's in Poland



Source: own study based on Komputer Świat 11/2014



IPLA – the leader in content distribution in the Internet



- IPLA is the largest base and source of legal TV content in Poland
- The average monthly number of users of our online platform oscillated around 3.6 m⁽¹⁾ in Q3'14, while in September 2014 it peaked to 5.1 m
- Through IPLA, we can more efficiently monetize our content portfolio, both in-house productions and materials sourced from the open market



Note: (1) based on the Company's own data





2.2 TV broadcasting and production segment



Maciej Stec

Member of the Management Board

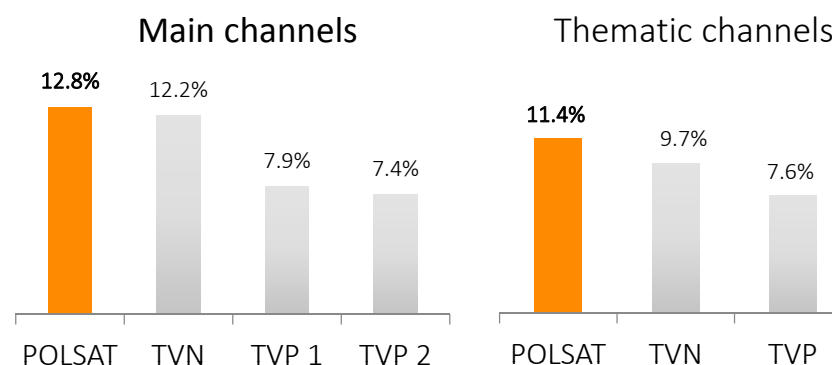


Viewership of our channels in Q3'14

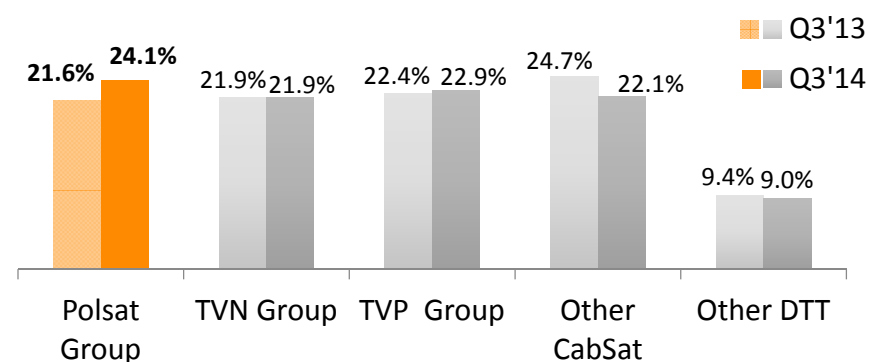


- Our main TV channel (Polsat) is the leader in viewership in the commercial group
- Polsat Group recorded the highest viewership shares mainly due to:
 - the success of its autumn programming
 - the success of Polsat Volleyball channels
 - adding TV4 and TV6 to its group of channels

Audience shares



Dynamics of audience share results



Source: NAM, All 16-49, all day, SHR%; internal analysis

Note: Polsat Group viewership in the 3Q'13 includes the viewership results of TV4 and TV6 channels starting from September 1, 2013

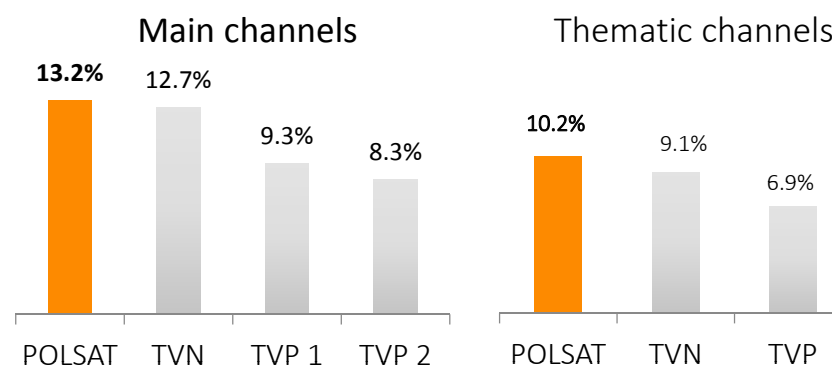


Viewership of our channels in 9M'14

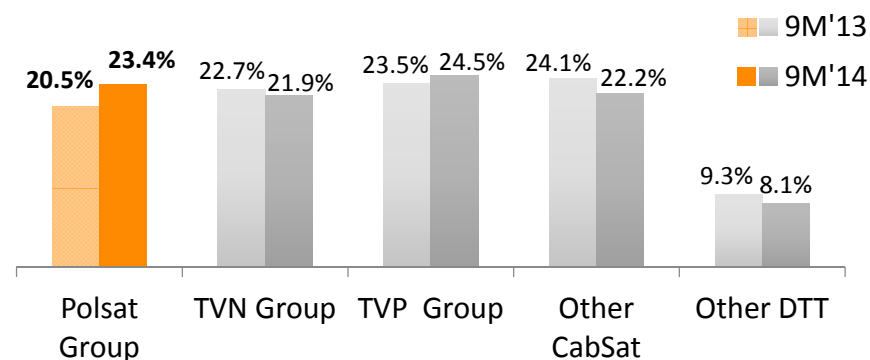


- Our main TV channel is the leader in viewership in the commercial group
- Total viewership results of Polsat channels in accordance with our long-term strategy

Audience shares



Dynamics of audience share results



Source: NAM, All 16-49, all day, SHR%; internal analysis

Note: Polsat Group viewership in the 9M'13 includes the viewership results of TV4 and TV6 channels starting from September 1, 2013

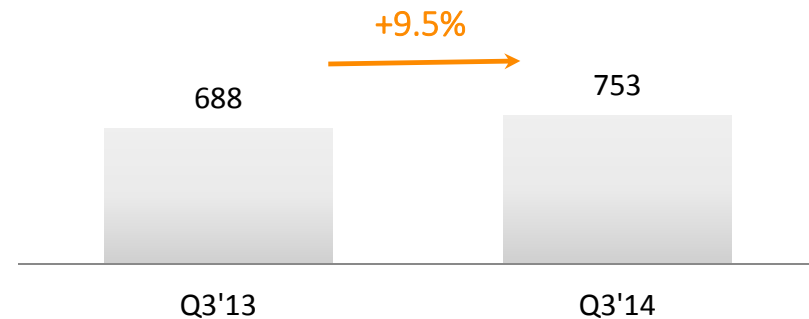


Position on the advertising market in Q3'14

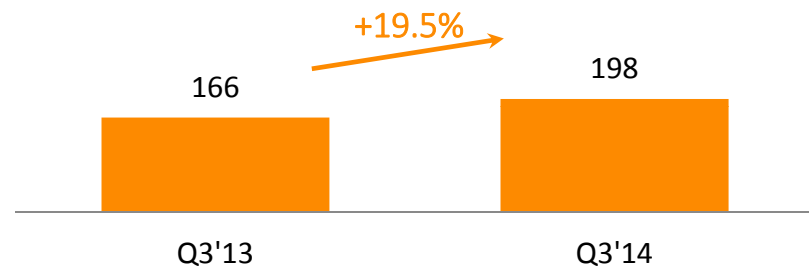


- Polsat TV revenue from TV advertising and sponsoring is growing much faster than the market
- Additionally, positive impact of TV4 and TV6 revenues, consolidated since September '13
- Our share in the TV advertising market increased from 24.1% to 26.3%

Market 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

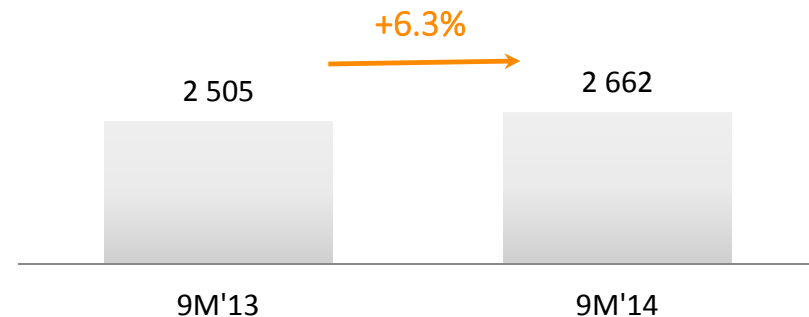


Position on the advertising market in 9M'14

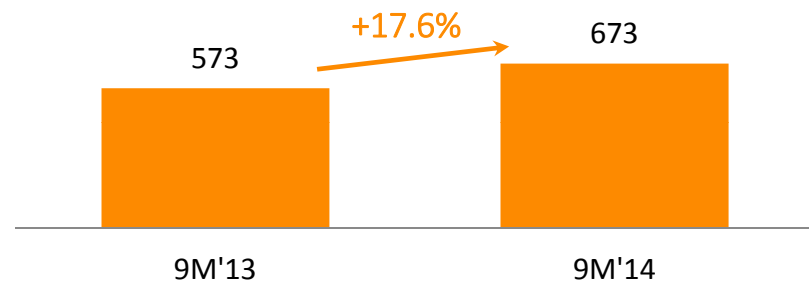


- Polsat TV revenue from TV advertising and sponsoring is growing much faster than the market
- Additionally, positive impact of TV4 and TV6 revenues, consolidated since September '13
- Our share in the TV advertising market increased from 22.9% to 25.3%

Market 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





3. Group strategy



Tomasz Gillner-Gorywoda

President of the Management Board, CEO



Our vision



*Media entertainment and telecom market leader in Poland.
We will produce and deliver the most attractive content and telecom
services, using the best and the latest technologies,
in order to provide high quality multi-play services which address
changing needs, while maintaining the highest levels of customer
satisfaction*

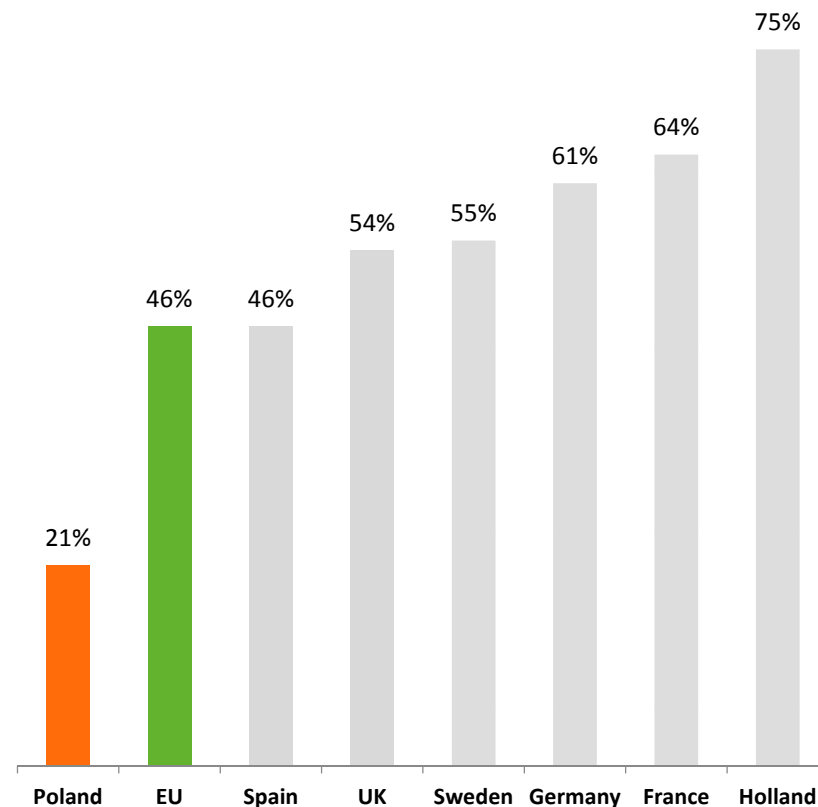


Market outlook



- Convergence of media and telecommunications is a fact and is already taking place all over the world
- Current market trends allowed operators to combine basic services (TV, Internet, Telephone)
- Today, operators offer much more (VAS, OTT, etc.)
- The Polish market of multi-play services has enormous potential – all we needed to do, is to catch up with the rest of Europe

Multi-play penetration in Europe



Source: European Commission - E-Communications Household Survey, March 2014



Our opportunities and market challenges



- We have the largest customer base in Poland – which provides us with an enormous potential for up-selling & cross-selling
- We have an attractive - and unique on the Polish market - portfolio of products and services
- Our market goal is to stimulate effective growth of our customer base, their loyalty and consistent increase of revenue per customer



Multiplay offer

- SmartDOM offer is now available to both, existing and new customers of the Group
- A simple and flexible mechanism which offers clear benefits to customers contracting additional services offered by the Group
- Extending the program by a dedicated offer for business – smartFIRMA



plus

CYFROWY
POLEAT

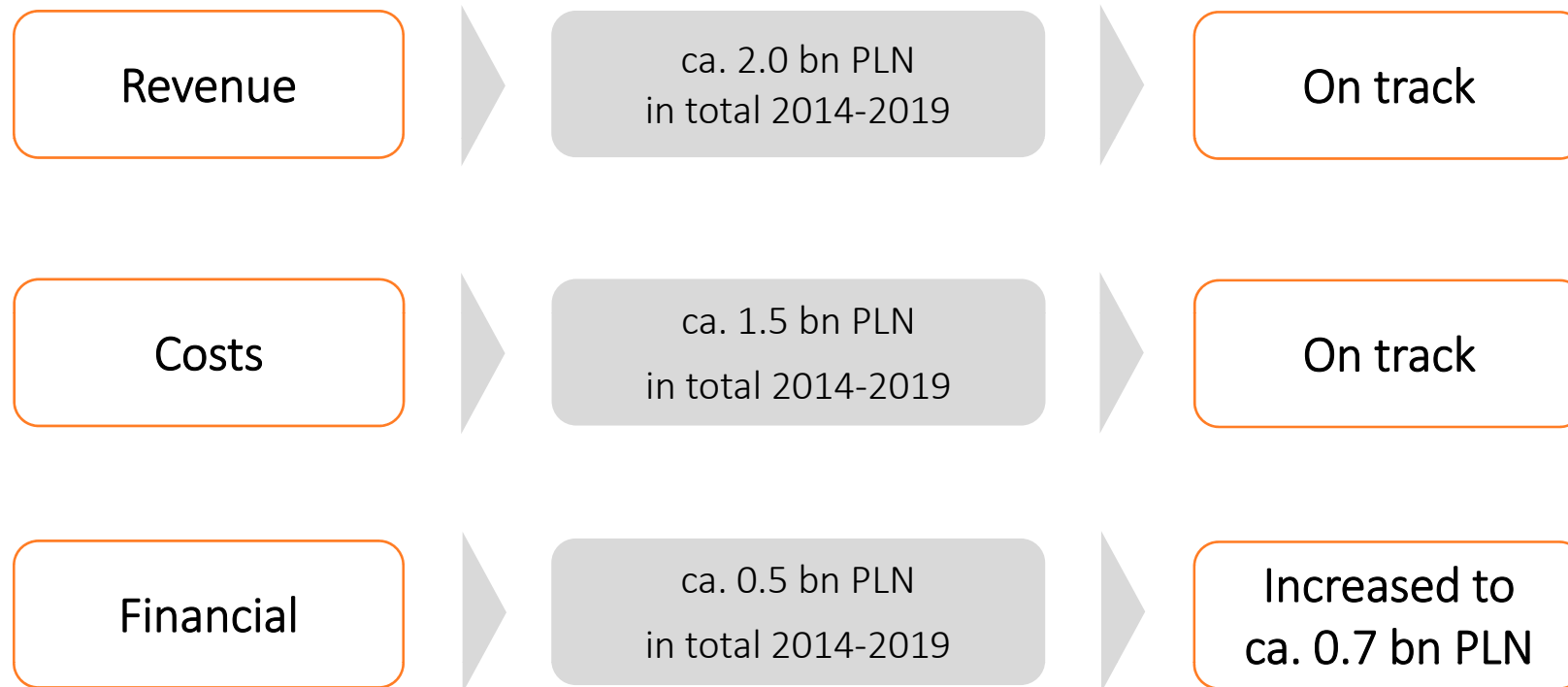
Internet LTE
-50%

Telewizja satelitarna
99 kanałów
nawet za **1 zł**

Tylko dla naszych Klientów!
Drugi produkt za połówkę,
trzeci za złotówkę.
Spiesz się!

smart
DOM

Delivery of synergy benefits



Source: Company estimates of synergies announced on November 14, 2013, resulting from the acquisition of Metelem Holdings Limited





4. Financial results



Tomasz Szelaąg

Member of the Management Board, CFO



Group's financial results in Q3'14



in PLN m	Q3'14	YoY change
Revenue	2,425	239%
Costs ⁽¹⁾	1,515	238%
EBITDA	910	239%
EBITDA margin	37.6%	(2.0pp)
Net profit	48	(73%)

- Increase in major bottom-line items as a result of consolidation of Metelem group's results effective from 7 May 2014
- Net income influenced by consolidation of Metelem group's interest costs as well as by recognition of the negative impact of PLK Senior Notes' valuation

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and disposal



Results in the segment of services to individual and business customers in Q3'14



in PLN m	Q3'14	YoY change
Revenue	2,164	347%
Costs ⁽¹⁾	1,327	341%
EBITDA	837	357%
EBITDA margin	38.7%	0.8 pp
Net profit	1	(99%)

- Excluding the effect of consolidation of Metelem, revenue growth of 5% primarily due to higher sales of telecommunication products (mainly mobile Internet) and an increase in revenue from fees for pay-TV services
- Cost dynamics, after excluding the impact of Metelem consolidation, mainly driven by:
 - Additional customer acquisition costs in SmartDOM offer
 - Investments in customer base, associated with the purchase of distribution rights to FIVB World Championship via CP platform
 - Higher cost of data transmission, mainly due to growth of the number of mobile Internet service users

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and disposal



Results of TV broadcasting and production activities in Q3'14



in PLN m	Q3'14	YoY change
Revenue	318	22%
Costs ⁽¹⁾	245	40%
EBITDA	73	(14%)
EBITDA margin	23.3%	(15.1 pp)
Net profit	54	(30%)

- Increase in adjusted revenue⁽²⁾ of 9%, mainly due to much better revenue from advertising and sponsorship in comparison with the dynamics of the entire advertising market
- Decrease in adjusted costs⁽²⁾ of 5%
- Adjusted EBITDA⁽²⁾ would increase YoY by PLN 28 m, EBITDA margin - 30.9%

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and disposal

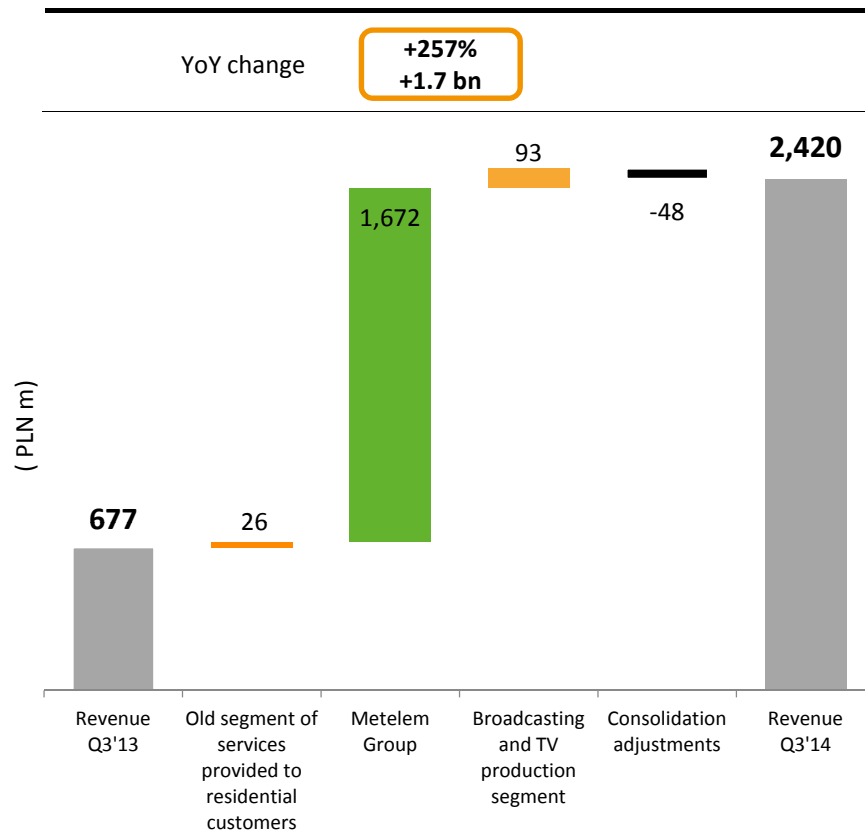
(2) Adjusted for disposal of RS TV, acquisition of Polskie Media, FIVB World Championship



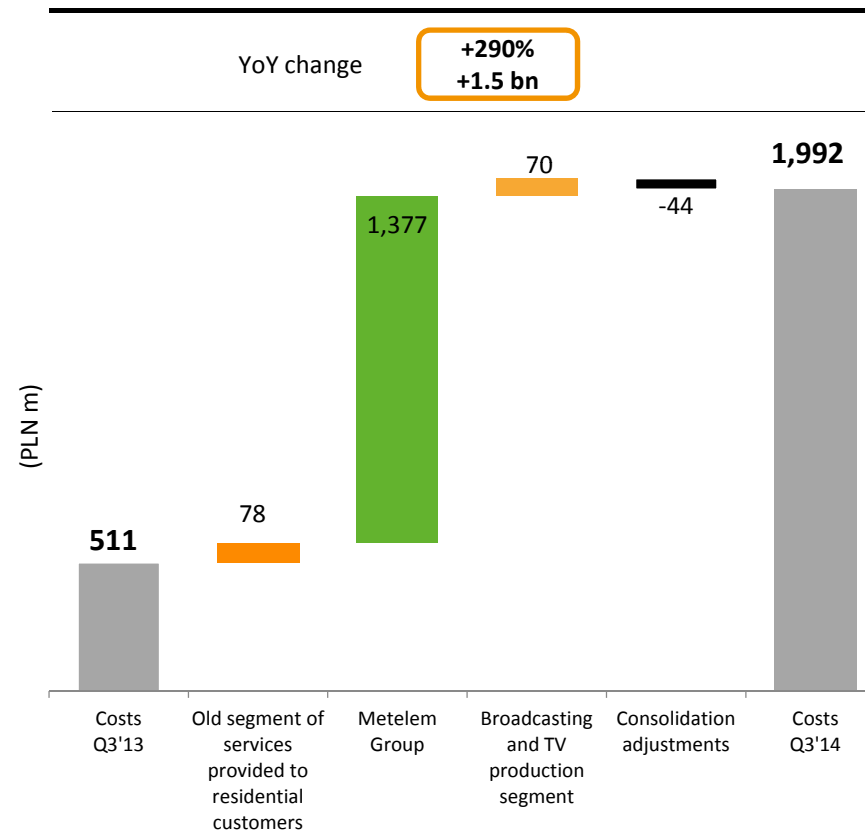
Revenues and costs – change drivers Q3'14



Revenue⁽¹⁾



Costs⁽²⁾



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis

Note: (1) Revenue from sales (item does not include "Other operating revenue")

(2) Operating Costs (item does not include "Other operating costs")

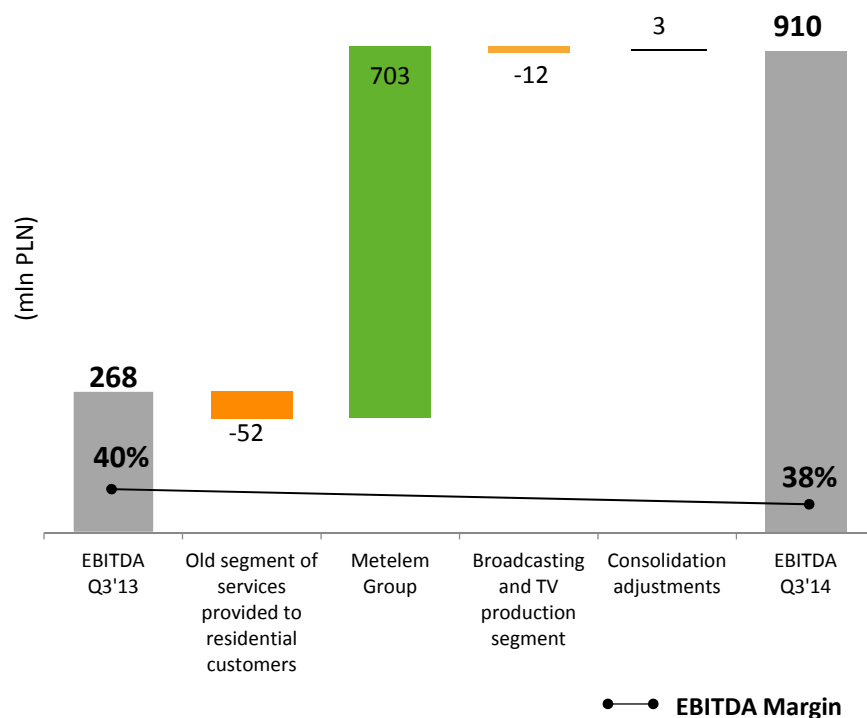


EBITDA and net profit – change drivers in Q3'14



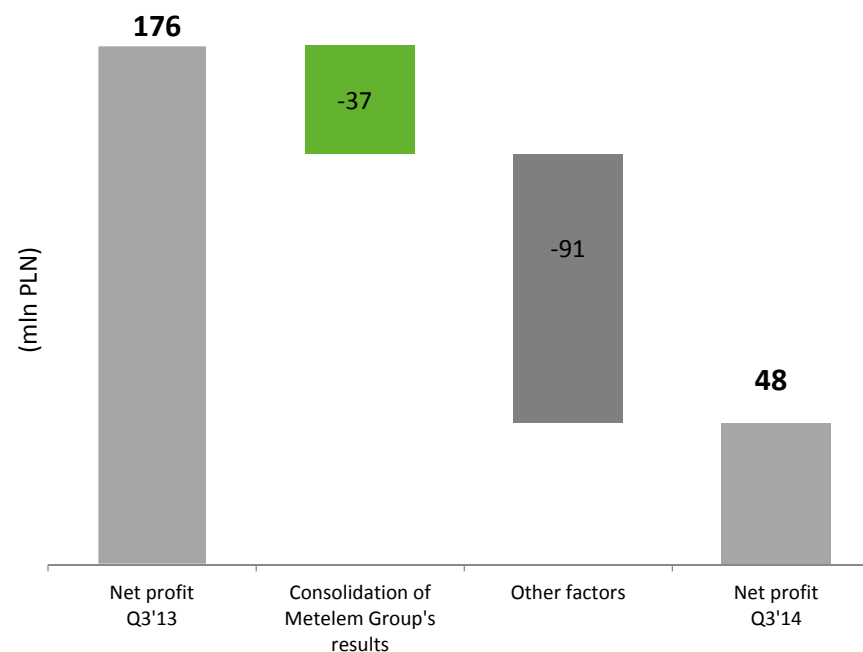
EBITDA

YoY change **+239%**
+642 m



Net Profit

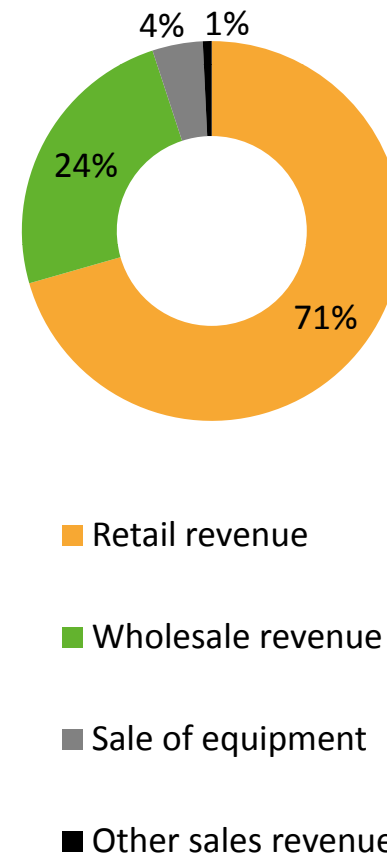
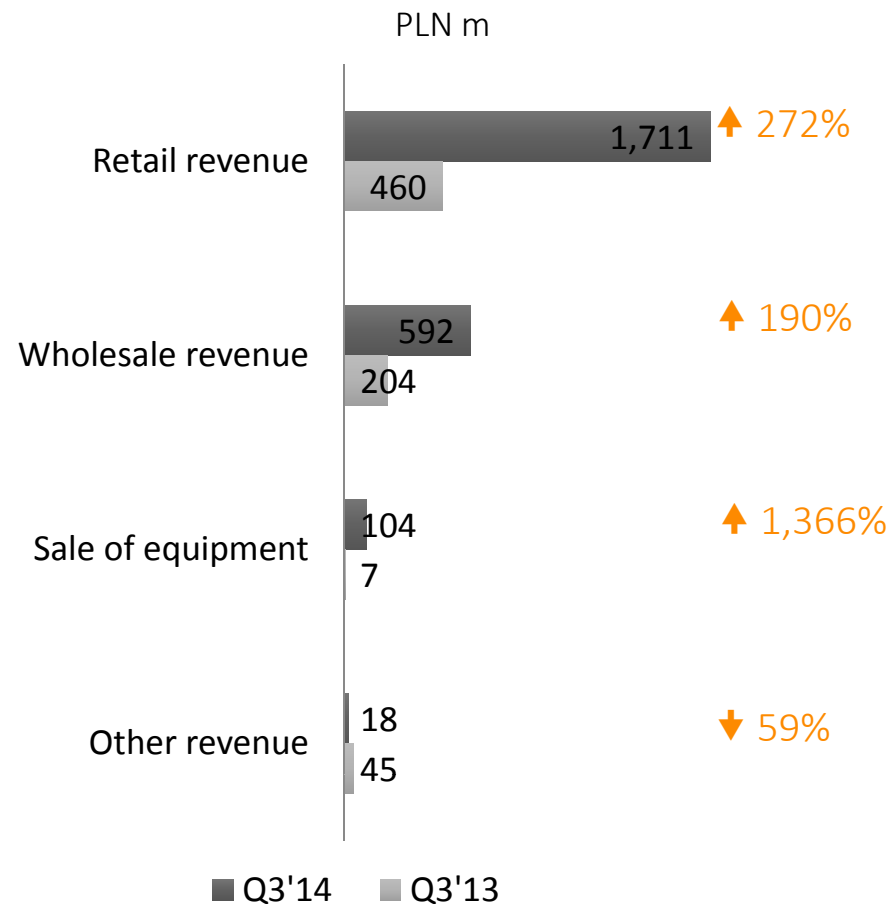
YoY change **-73%**
-128 m



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis



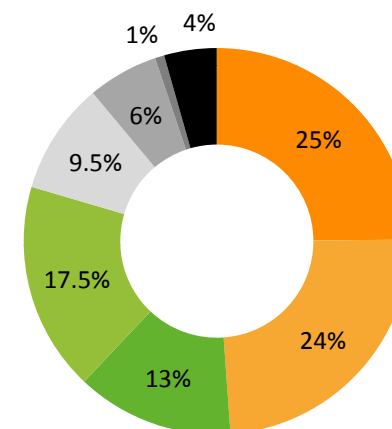
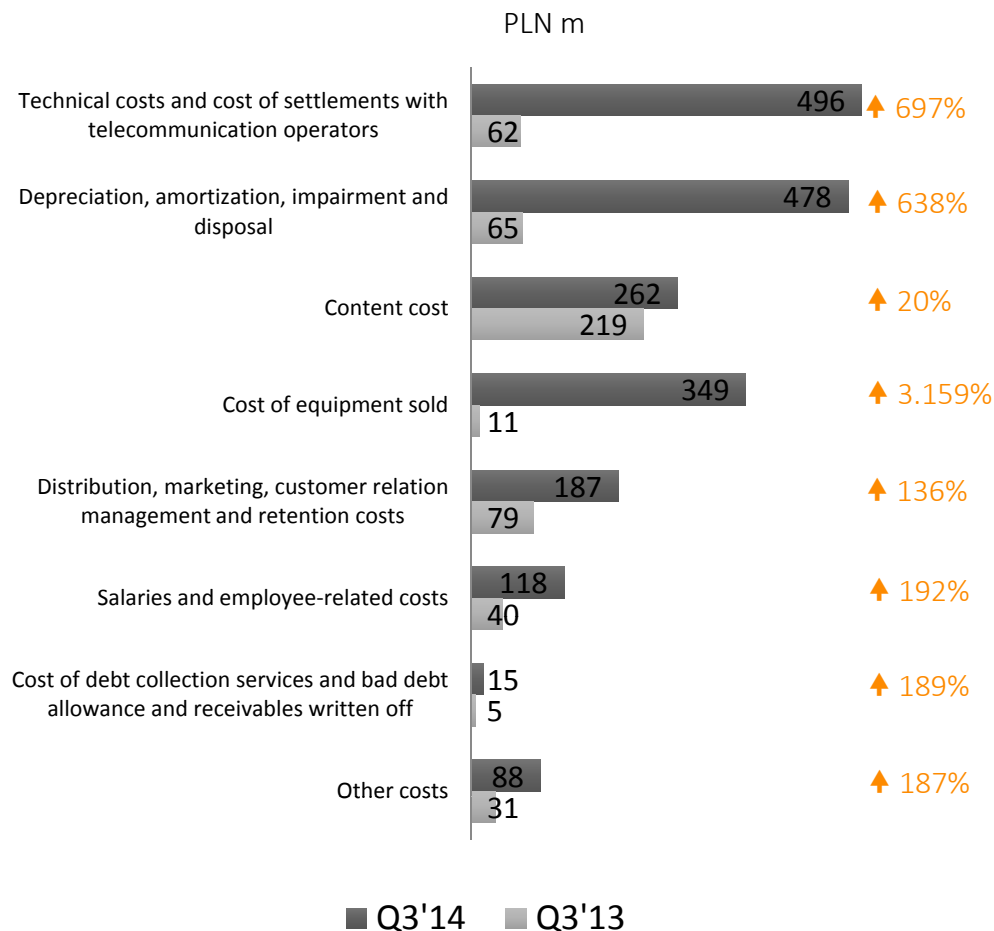
Revenue structure in Q3'14



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis



Cost structure in Q3'14

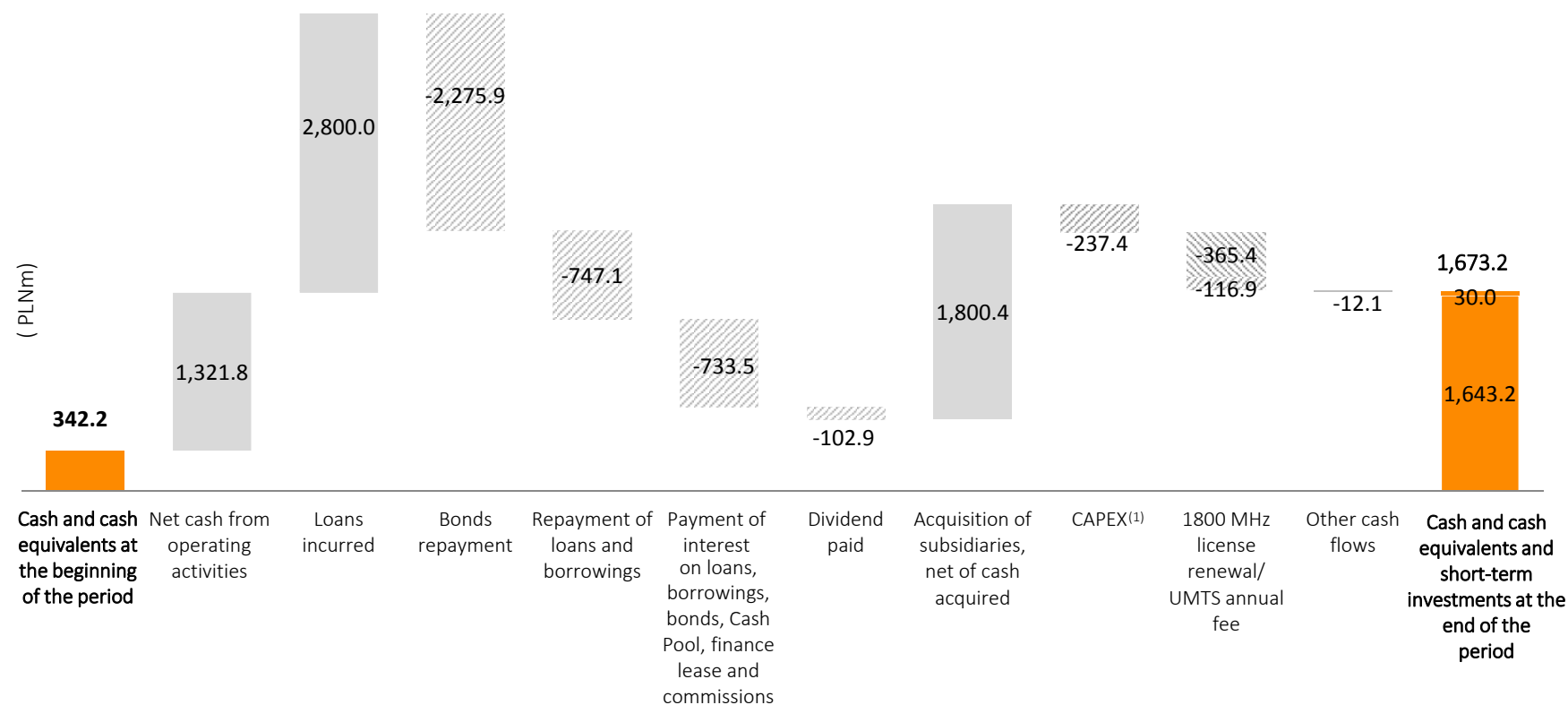


- Technical costs and cost of settlements with telecommunication operators
- Depreciation, amortization, impairment and disposal
- Content cost
- Cost of equipment sold
- Distribution, marketing, customer relation management and retention costs
- Salaries and employee-related costs
- Cost of debt collection services and bad debt allowance and receivables written off
- Other costs

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis



Cashflow statement in 9M'14



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis

Note: (1) Excluding expenditures on set-top-boxes leased to subscribers



The Group's debt as of 30 September 2014



in PLN m	Balance value	Nominal value
Term Loan (PLN)	2,383	2,420
Revolving Loan	150	150
PLK Loan – Tranche A (PLN)	2,099	2,108
PLK Loan – Tranche B (PLN)	3,101	3,121
PLK Loan – Tranche C (PLN)	1,609	1,621
PLK Revolving Loan	0	0
Senior Notes PLK EUR ¹	2,751	2,265
Senior Notes PLK USD ²	1,990	1,649
Leasing	14	14
Cash and cash equivalents ³	1,673	1,673
Net debt	12,423	11,674
EBITDA LTM, pro-forma ⁴	3,844	3,844
Net debt / EBITDA LTM	3.2x	3.0x

¹ Nominal value of PLK Senior Notes of EUR 542.5 m, as converted based on the average NBP exchange rate from 30 September 2014 of 4.1755 PLN/EUR. The value of the notes has been determined based on fair value at the moment of purchase of Metelem

² Nominal value of PLK Senior Notes of PLK USD 500 m, as converted based on the average NBP exchange rate from 30 September 2014 of 3.2973 PLN/USD. The value of the notes has been determined based on fair value at the moment of purchase of Metelem

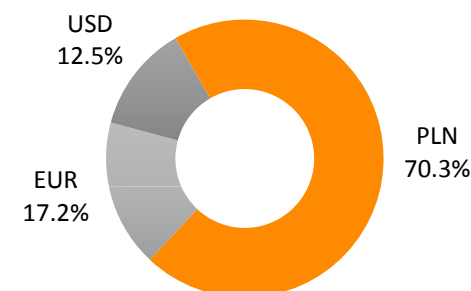
³ The item contains cash and cash equivalents, including restricted cash and short-term deposits.

⁴ EBITDA LTM, pro-forma, includes consolidated pro-forma EBITDA of Cyfrowy Polsat Group on the assumption of consolidation of Metelem Group's results during the period of past 12 full months.

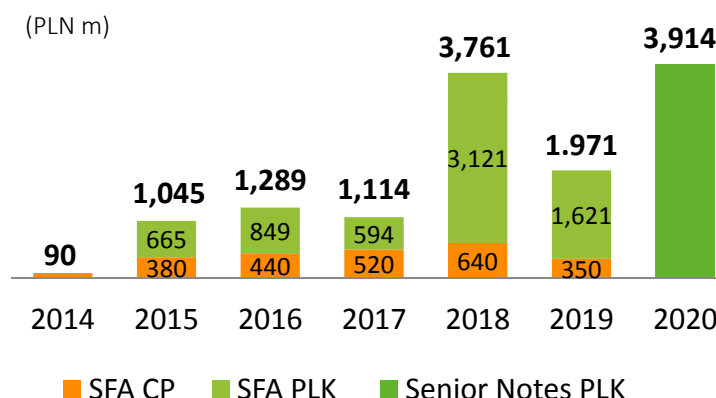
⁵ Nominal value of debt, excl. RCF

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2014 and internal analysis

Currency composition of our indebtedness⁵



Our debt maturing profile⁵





5. Summary



Tomasz Gillner-Gorywoda

President of the Management Board, CEO



Summary of Q3'14



- Excellent sales results of SmartDOM offer
- Launch of "Plush" a new brand addressed predominantly to young people
- Operational and commercial success of FIVB 2014 World Championship
- Very good viewership results, dynamic growth of the Group's advertising revenue
- Solid financial performance with significantly growing revenue
- Continuation of implementation of the strategy, accompanied by progressing operational integration aimed at achieving earlier planned revenue and cost-related synergies





6. Q&A



Definitions



RGU (Revenue Generating Unit)

Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.

Customer

Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a **contract model**.

Contract ARPU

Average monthly revenue per **Customer** generated in a given settlement period (including interconnect revenue).

Prepaid ARPU

Average monthly revenue per **prepaid RGU** generated in a given settlement period (including interconnect revenue).

Churn

Termination of the contract with **Customer** by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model.

Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.

Usage definition (90-day for prepaid RGU)

Number of reported RGUs of prepaid services under the mobile telephony and Internet Access means the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days.

In practice this means that within the last 90 days a given card had to be inserted to a phone or another device which was active and was able to make or receive call, message, data transmission session. 90-day usage definition thus eliminates inactive cards.

Based on the aforementioned definition each year UKE collects data of the mobile operators in Poland in order for the European Commission to prepare a comparison of actual penetration of mobile telecommunication services in the EU countries (the so-called Digital Agenda report).





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