



Press release
Warsaw, May 12, 2016

Cyfrowy Polsat sums up Q1 2016 Effective implementation of smartDOM strategy and fast growth of contract services

In Q1 2016 Cyfrowy Polsat continued its effective strategy of provision of integrated services which it offered by means of its smartDOM program. Thanks to the effective sale of the services covered by the program, the number of the Group's contract services increased by 129 thousand in Q1 alone, while positive results were seen in each product line with simultaneous further YoY growth of the average revenue per customer. Very good operational performance, as well as cost control were reflected in stable revenue, high EBITDA margin and growth of free cash flow.

Following the successful acquisition of 93% of Midas Group's shares, Cyfrowy Polsat undertook actions aimed at the acquisition of the remaining shares, by way of squeeze out, and at the same time began the process of refinancing Midas's debt. The bank loans of Midas Group have already been fully repaid, while today the Group has bought back the majority of the zero-coupon bonds issued by Midas, thus reducing once again the average cost of financing. Ultimately, Midas shares will be delisted from the stock exchange.

Major operating and financial data in Q1 2016

- As many as 18% of the Group's contract customers use the integrated offer - the smartDOM program:
 - **Nearly 1.1 million customers of the program,**
 - This group of customers owns 3.22 million contract services.
- **The total number of contract services increased by 129 thousand in Q1, reaching 12.7 million,** while the average revenue per customer increased to PLN 87 YoY.
- The contract base of mobile Internet services increased by 53 thousand QoQ, reaching 1.65 million. The total number of active Internet access services was 1.9 million.
- Owing to good sales of Multiroom and OTT, the number of pay TV contract services increased by 57 thousand in the QoQ perspective and reached nearly 4.6 million.
- Q1 was yet another positive period for the mobile telephony business. Once again the base of mobile voice services provided in the contract model increased by 20 thousand QoQ. At



1) Consolidation of Midas Group's results for a full quarter. Source: Pro forma results, Cyfrowy Polsat, Metelem, Midas S.A., consolidated financial statements and own analyses.

Financial data are presented according to International Financial Reporting Standards methodology (IFRS) for the 3-month and 6-month periods ended March 31, 2016.



the same time, plus is taking the lead in customer loyalty statistics (the lowest churn in the area of MNP).

- As a result, the total number of contract services provided by Polsat Group **grew by 349 thousand in the YoY perspective.**
- The prepaid services base is stable with growing ARPU which increased by 2.3% YoY, reaching PLN 17.7. What is worth noting is the fast growth of active Internet access services – 33% more RGUs YoY.
- Polsat Group's TV channels **were viewership leaders** in the commercial group, achieving 24.4% in total thanks to an audience share of 12.7% for the main channel and 11.7% for the thematic channels.
- **Polsat TV's revenue** from advertising and sponsorship grew faster in the YoY perspective than the TV advertising market (by 4.2% vs 2.7%) and reached **PLN 229 million**. Thanks to this, the Group's share in the TV advertising market increased to 25.5%.
- The average monthly number of users of IPLA, the biggest Polish Internet TV service, was 3.8 million.
- Very good pro forma financial results¹⁾ of the Group:
 - Revenue: PLN 2.284 billion,
 - EBITDA: PLN 865 million,
 - EBITDA margin: 37.9%,
 - Free cash flow after payment of interest on loans and bonds: PLN 1.319 billion in the last 12 months,
 - Net debt / EBITDA ratio: 3.33x, which includes the debt of the newly acquired Midas Group.

“2016 started very positively for our Group. As a result of high interest in our smartDOM program, we could observe growth across all product lines. The growing base of contract services is extremely important for the future stable growth of our business and for the opportunity to upsell further products. We have already started seeing an improvement of loyalty of those customers who joined smartDOM program and we expect a further decrease of churn in the future. We also maintain our plan of acquiring further 400 thousand customers for our program this year. Unchangeably we continue to be the leader in the TV broadcasting and production segment,” says **Tobias Solorz, CEO of Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.**



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Services provided to residential and business customers

“Thanks to the regular growth of the number of customers joining the smartDOM program, we have been consistently consolidating our position on all markets on which we operate. We have been systematically increasing the contract services base, which so important for our future growth, while at the same time taking care of ARPU growth. We continued the dynamic development of mobile Internet access. Distinct growth of the number of pay TV services is worth noting, just as is another quarter of the good results achieved by mobile telephony,” sums up **Tobias Solorz**.

	Q1		
	2016	2015	Change in %
Total number of RGU (contract and prepaid)	16,531,833	16,429,469	0.6%
CONTRACT SERVICES			
Total number of RGU's EOP, including:	12,744,166	12,394,712	2.8%
Pay TV, including:	4,560,267	4,405,464	3.5%
<i>Multiroom</i>	957,952	872,628	9.8%
Mobile voice services	6,536,366	6,552,365	-0.2%
Internet	1,647,533	1,436,883	14.7%
Number of contract customers	5,893,225	6,068,839	-2.9%
ARPU per customer [PLN]	87.0	85.8	1.4%
Churn per customer	9.8%	9.5%	0.3 p.p.
RGU saturation per customer	2.16	2.04	5.9%
PREPAID SERVICES			
Total number of RGU's EOP, including:	3,787,667	4,034,757	-6.1%
Pay TV	35,754	66,163	-46.0%
Mobile voice services	3,495,733	3,775,976	-7.4%
Internet	256,180	192,618	33.0%
ARPU per prepaid RGU [PLN]	17.7	17.3	2.3%



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Pro forma financial results¹⁾ for the segment of services provided to residential and business customers – Q1 2016

millions of PLN	Q1 2016	Change YoY
Revenue from sales	2 026	1%
Operating costs *	1 268	3%
EBITDA	764	-4%
EBITDA margin	37.7%	-1.8 p.p.

* Costs excluding depreciation and amortization, impairment and liquidation

“This quarter we have decided to present pro forma results, fully consolidating the results of Midas Group. This approach better illustrates the actual situation in the segment of services provided to residential and business customers, and shows the impact that the successful acquisition of Midas Group has on the Group’s operations,” comments **Tomasz Szela**g, CFO of **Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.**

Broadcasting and TV production segment

“It was yet another very good quarter for Polsat TV. As a group we recorded growth of the market share from 24% to 24.4% and maintained the leading position in the commercial viewer group, which is key for us from the point of view of our business. This was reflected in the growth of our advertising revenue, which once again continued to grow faster than the market, i.e. at the rate of 4.2%,” says **Maciej Stec**, Management Board Member of **Cyfrowy Polsat S.A. and Telewizja Polsat Sp. z o.o.**



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	Q 1		
	2016	2015	Change [%]
Audience share¹, including:	24.4%	24%	1.8%
POLSAT (main channel)	12.7%	13.4%	-5.3%
Thematic channels	11.7%	10.5%	10.9%
Share in TV advertising market²	25.5%	25.1%	1.4%
Spending on TV advertising³ (in millions of PLN)	901	877	2.7%

¹ NAM, All day ages 16-49 audience share.

² Own estimates, based on data from SMG Poland (formerly SMG Starlink);

³ SMG Poland, spot advertising and sponsorship

“When looking at the financial results of Polsat TV, one should above all note the growth of revenue which resulted from the effective monetization of higher viewership shares of Polsat Group’s stations, and the stable EBITDA margin. Higher spending was mainly associated with higher investments in our own productions and in film licenses, which in turn gave a positive effect in the form of the growing number of viewers of our stations,” comments **Katarzyna Ostap-Tomann**, the CFO of **Telewizja Polsat Sp. z o.o.**

Financial results of the TV broadcasting and production segment – Q1 2016

millions of PLN	Q1 2016	Change YoY
Revenue from sales	299	5%
Operating costs *	198	8%
EBITDA	101	1%
EBITDA margin	33.9%	-1.6 p.p.

* Costs excluding depreciation and amortization, impairment and liquidation



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Cyfrowy Polsat Group's pro forma financial results¹⁾

Cyfrowy Polsat Group's pro forma financial results¹⁾ for Q1 2016

millions of PLN	Q1 2016	Change YoY
Revenue from sales	2 284	1.3%
Operating costs *	1 426	4.2%
EBITDA	865	-3.6%
EBITDA margin	37.9%	-1.9 p.p.

* Costs excluding depreciation and amortization, impairment and liquidation

"The Group's very good performance demonstrates beyond doubt that the acquisition of Midas Group was a success and that it perfectly complements Cyfrowy Polsat Group's operations. Stable growth of revenue and control of operating costs resulted in a high EBITDA and EBITDA margin. Free cash flow is still a strong item on our balance sheet – the LTM free cash flow value exceeded PLN 1.3 billion, in spite of the fact that last quarter we were still servicing the costly Polkomtel bonds. We have repaid Midas Group's bank loans and we have already bought back most of the zero-coupon bonds issued by Midas, and deleveraging of the Group unchangeably remains our goal for the remainder of the year," sums up **Tomasz Szelaĝ**.

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Details of the conference call:

Date: 12 May 2016
Time: 16.00 hrs. (Warsaw), 15.00 hrs. (London), 10.00 hrs. (New York)
Phone number: +44 203 043 2440 (international)
22 295 3528 (in Poland)
Conference call code: 96421126#
The conference call will be in English.



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