



Press release
Warsaw, 25 August 2016

One out of every five customers is a smartDOM Program member – Cyfrowy Polsat Group effectively implements its strategy in Q2 2016

Cyfrowy Polsat Group has just published very good operating and financial results for Q2 and H1 2016. Major developments and achievements of the past several months include: finalization of the process of acquisition of 100% of Midas S.A. shares, excellent sales and audience results related to UEFA EURO 2016, Cyfrowy Polsat's corporate rating being increased by Moody's and start of implementation of the new integrated system which will support sales, customer care and billing for Polsat Group's products and services. Thanks to the effective implementation of its strategy, Polsat Group has remained the leading operator of integrated services whose offer includes a unique and extensive portfolio of services for households.

Major operational and financial figures for Q2 2016:

- Effective implementation of smartDOM Program strategy:
 - the **multiplay** customers increased by 74 thousand in Q2, **to nearly 1.2 million**,
 - 3.44 million contract services in this group of customers,
 - ARPU from contract services has as a result increased by +1.6% YoY.
- **The total number of contract services increased by 137 thousand in Q2 and reached 12.9 million**, with the average revenue per customer increasing to 88.4 PLN.
- Contract customer base of the mobile Internet services increased by 42 thousand QoQ, reaching 1.7 million. The total number of active **Internet access services was nearly 2 million**.
- Thanks to good sales of Multiroom and paid OTT services, the number of contract pay TV services increased by 72 thousand in Q2, to the level of nearly 4.6 million.
- Another quarter of growth in the number of contract mobile services – up by 23 thousand QoQ.
- The total number of contract services provided by Polsat Group **increased by 504 thousand YoY**.
- Prepaid segment sees a stable base and growing ARPU – up by 3.3% YoY, to 18.9 PLN. What is worth noting is the fast growth of active Internet access services – 47% more RGU's year-on-year along with successive migration of prepaid voice customers to contract solutions.
- Fine sales and viewership results of UEFA EURO 2016 which will have positive impact on the Group's results in Q3.



Financial data are presented according to International Financial Reporting Standards methodology (IFRS) and concern the period of 3 months ended 30 June 2016.



- Polsat Group's TV channels **led in terms of viewership** in the commercial viewer group, both in Q2 as well as in the entire first half of the year – achieving respectively the following results: 25.5% (13.8% for the main channel and 11.7% for thematic channels) and 24.9% (13.2% for the main channel and 11.6% for thematic channels).
- **Revenues of Polsat TV Group** from commercials and sponsoring increased by 8.8% in Q2 (with the TV advertising and sponsoring market growing at +0.5% YoY) and reached **306 million** PLN, thus leading to the increase in the Group's share in the advertising market to 27.3%. During the whole first half of the year the Group recorded revenue growth of 6.8%, to 535 million PLN, while its share in the advertising market increased to 26.5%.
- Average monthly number of users of Poland's biggest web TV, IPLA, was around 4.2 million.
- Start of cooperation with Huawei in the field of implementation of an integrated system designed to support sales, customer care and billing for Polsat Group's products and services. The purpose of the implementation is to redefine and standardize the sales processes and the offers of Polsat Group, as well as to equip the Group with one consistent and efficient tool which will enable it to manage its sales and customer relations in all potential layers.
- **Increase of the corporate rating** of Cyfrowy Polsat by **Moody's** (currently Ba2, stable), which has been above all justified by the progress in the process of integration of Cyfrowy Polsat and Polkomtel, continuation of the efforts aimed at simplifying the corporate structure and the debt structure, strategic and cost-related benefits stemming from acquisition of Midas as well as consistent deleveraging of the Group.
- Very good financial results of the Group:

As a result of acquisition of Midas Group and consolidation of its results at EBIT level starting from 29 February 2016 and also in order enable better view Polsat Group's business operations, below please find the comparison of the Group's reported¹ results for Q2 2016 vs. the pro forma² results for Q2 2015:

- revenue: 2.443 bn PLN,
- EBITDA: 935 mn PLN,
- EBITDA margin: 38.3%,
- free cash flow after payment of interest on loans and bonds: 1.404 bn PLN in a 12-month period, which is the upper limit of the company's existing assumptions (1.2-1.4 bn PLN),
- net debt/EBITDA in line with the SFA definition (i.e. excluding the debt serviced in cash) was **3.09x**, while upon including the debt of the newly acquired Litenite Group – 3.32x.

"In the second quarter we consistently pursued our unique market strategy, which contributed to our very good operational and financial results. Further dynamic growth of the number smartDOM program customers, by around 50% during the year, resulted in nearly 3.5 million integrated contract

¹ reported results, i.e. the results which include consolidation of Midas Group's results from 29 February 2016

² pro forma, Cyfrowy Polsat, Polsat TV, Metelem, Midas, consolidated financial statements, company's own analyses





services. As many as 20% of our customers use our smartDOM program, which has positive influence on their loyalty while reducing churn. We are upholding our ambitious goal of reaching the number of 1.4 million members of the program by the end of 2016," says **Tobias Solorz, CEO of Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.**

Services provided to residential and business customers

"Similarly as in the previous quarters, we have been observing growth across all product lines. Just as we assumed while launching our smartDOM program, the total number of contract services per customer as well as the average revenue per contract customer have been growing systematically, while churn ratio has been decreasing. We expect these trends to continue in the quarters to come," sums up **Tobias Solorz.**

	Q2		
	2016	2015	YoY change
Total number of RGUs (contract + prepaid)	16,711,541	16,349,090	2.2%
CONTRACT SERVICES			
Total number of RGUs, including:	12,880,725	12,377,021	4.1%
Pay TV, including:	4,632,246	4,374,517	5.9%
<i>Multiroom</i>	972,771	886,305	9.8%
Mobile telephony	6,559,223	6,519,311	0.6%
Internet	1,689,256	1,483,193	13.9%
Number of customers	5,862,310	5,990,051	-2.1%
ARPU per customer [PLN]	88.4	87.0	1.6%
Churn	9.0%	10.1%	-1.1pp
RGU saturation per customer	2.20	2.07	6.3%
PREPAID SERVICES			
Total number of RGUs, including:	3,830,816	3,972,069	-3.6%
Pay TV	73,544	41,517	77.1%
Mobile telephony	3,473,228	3,737,282	-7.1%
Internet	284,044	193,270	47.0%
ARPU per prepaid RGU [PLN]	18.9	18.3	3.3%



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This quarter we have been reporting figures which fully consolidate the results achieved by Midas Group. Thanks to this we are able to provide a better actual view of the segment of our services provided to residential and business customers as well as of the impact that successful acquisition of Midas Group has had on the operation of our Group. Thanks to the consistently developed smartDOM program, the revenues from this segment are stable, we keep the costs under control as usual, and we have been able to generate high EBITDA margin,” comments **Tomasz Szelaĝ**, **Management Board Member of Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o. who is responsible for finance.**

Financial results of the segment of services provided to residential and business customers for Q2 2016

PLN million	Q2 2016	YoY change pro forma
Revenues from sales	2 072	1%
Operating costs *	1 325	7%
EBITDA	754	-9%
EBITDA margin	36.4%	-4.1 p.p.

Pro forma: Cyfrowy Polsat, Telewizja Polsat, Metelem, Midas, consolidated financial statements and own analyses
 * Costs exclude depreciation and amortization, loss of value and liquidation

Broadcasting and TV production segment

“We have successfully implemented a unique and comprehensive UEFA EURO 2016 project. For the first time in history we combined broadcasting of matches in Polsat’s free-to-air channel with dedicated Polsat Sport 2 and Polsat Sport 3 pay TV channels where we showed all 51 matches live, without commercials and in HD quality. Over the 30 days of UEFA EURO 2016 tournament we broadcasted over 200 hours of live action. The strategy has enabled us to achieve big sales, operational and financial success,” sums up **Maciej Stec**, **Management Board Member of Cyfrowy Polsat S.A. and Telewizja Polsat Sp. z o.o.**

“Polsat Group has once again been the audience leader in the most important commercial viewers group. We were number 1 on the market, both in the second quarter as well as in the entire first half of the year while our advertising and sponsoring revenue grew much faster than the market – by 8.8% in the second quarter and by 6.8% in the first half of the year,” adds **Maciej Stec**.



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	Q2		
	2016	2015	% change
Audience share¹, including:	25.5%	24.7%	3.3%
POLSAT (main channel)	13.8%	13.4%	3.4%
Thematic channels	11.7%	11.3%	3.1%
Advertising market share²	27.3%	25.2%	8.3%
Television ad market expenditure³ (mPLN)	1,119	1,114	0.5%

¹ NAM, All 16-49, all day, SHR%

² Our estimates based on SMG Poland data (formerly SMG Starlink)

³ SMG Poland, air time and sponsorship

“Successful sale of access to UEFA EURO 2016 matches substantially contributed to the results achieved by the broadcasting and TV production segment in Q2 and it will also have positive impact on the next quarter’s results. 30% growth in revenue and stable, very high EBITDA margin should be noted. The high EBITDA margin is the result of balanced programming policy and the ability to effectively monetize the rights that we own. Production of own content is what differentiates us from other market players and it is the source of Polsat Group’s competitive edge,” comments **Katarzyna Ostap-Tomann, Management Board Member of Polsat TV**

Financial results of TV broadcasting and production segment in Q2 2016

million PLN	Q2 2016	Change YoY
Revenue from sales	451	30%
Operating costs *	270	27%
EBITDA	181	35%
EBITDA margin	40.1%	1.5 p.p.

* Costs exclude depreciation and amortization, loss of value and liquidation



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Cyfrowy Polsat Group's financial results

Financial results of Cyfrowy Polsat Group in Q2 2016

PLN millions	Q2 2016	Change YoY pro forma
Revenue from sales	2 443	4%
Operating costs *	2 042	9%
EBITDA	935	-3.1%
EBITDA margin	38.3%	-3 p.p.

Pro forma: Cyfrowy Polsat, Telewizja Polsat, Metelem, Midas, consolidated financial statements and own analyses

* Costs exclude depreciation and amortization, loss of value and liquidation

"In the second quarter we have accomplished very good results as a Group, which exceeded market consensus. Completion of the process of acquisition of 100% of shares of Midas Group, delisting of the shares from WSE and swiftly completed first stage of refinancing of the Group's debt were very important events of that period. It should be stressed that stable and high free cash flow continues to be a strong item in our Group. It has not only enabled us to accomplish our business goals and gradually reduce our debt but it also allows us to seriously think about dividend payment next year," sums up **Tomasz Szelaĝ**.

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Details of the conference call:

Date: 25 August 2016
Time: 16:00 (Warsaw), 15:00 (London), 10:00 (New York)
Phone no.: +44 203 043 2440 (międzynarodowy)
22 295 3528 (Polska)

Conference call code: 60842495#

The conference call will be held in English.



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