

- Following the acquisition and consolidation of the results of Midas Group from February 29<sup>th</sup> 2016, in order to better display the business of Polsat Group, pro-forma results<sup>1</sup> as well as the reported results<sup>2</sup> of Polsat Group are presented to the level of operating profit.
- In Q1'16 Polsat Group pro-forma revenue increased by 1.3% YoY to **PLN 2,284m** (reported revenue amounted to PLN 2.364m, increase by 1.5% YoY) mainly due to:
  - Decrease of revenue from voice services partly compensated by growing revenue from Internet access services
  - Growing revenue of TV Polsat from advertising as well as growing IC settlements translate to better dynamics of wholesale revenue
  - Higher revenue from equipment sales is the outcome of gradually growing installment plan sales, lower subsidies, as well as the optimization of stock levels
- Pro-forma operating costs of the Group increased by 0.6% YoY and amounted to **PLN 1,875m** in Q1'16 (reported costs amounted to PLN 1,948m, increase by 2.0% YoY). Their level was mainly influenced by:
  - Lower cost of depreciation of telecommunication infrastructure
  - Technical costs influenced by growing IC costs
  - Content costs affected by higher costs of sport events and higher cost of amortization of film licenses
  - Higher recognized accounting (non-cash) sales commission costs affect the dynamics of distribution, marketing, customer relation management and retention costs
- Revenue from advertising and sponsoring of TV Polsat Group increased by 4.2% YoY in Q1'16, to **PLN 229m** (at that time the whole market grew at a rate of 2.7%). As a result of the dynamics of advertising revenue of TV Polsat, which was double the dynamics of the advertising market, the Group's market share increased to **25.5%**.
- Pro-forma EBITDA of Polsat Group of **PLN 865m** recorded a YoY decrease of 3.6% (reported EBITDA amounted to PLN 846m, decrease by 5.6%) with EBITDA margin of **37.9%** - decrease by 1.9pp YoY (reported EBITDA margin of 35.8%, YoY decline of 2.7pp).
- Pro-forma EBIT of Polsat Group increased by 3.6% YoY, to **PLN 416m** (reported EBIT amounted to PLN 423m, YoY decline of 1.4%).
- Reported finance costs decreased to **PLN 183m**, i.a. as result of a one-off net revenue item associated with the valuation and realization of forward contracts securing the repayment of the principal for the PLK Senior Notes as well as lower costs of interest on the PLK Senior Notes in connection with their premature redemption, which has been offset by higher (in y/y perspective) valuation of the PLK Senior Notes in foreign currencies.
- As a result, reported net profit of the Group increased to **PLN 179m**.
- Adjusted LTM FCF pro-forma after interest amounted to **PLN 1.319m** (YoY growth of 30.9%).
- The main bank covenant – net debt/EBITDA based on the carrying amount and in relation to the reported LTM EBITDA amounted to **3.34x** in Q1'16.
- Key performance indicators in Q1'16:
  - Total number of RGUs at the level of **16.532m**, 77% of which are RGUs provided in the contract model
  - Stable contract customer base of **5.893m**
    - ARPU per customer increased by 1.4% YoY, to **87.0 PLN**
    - RGU saturation of **2.16** per customer with an upward trend
    - Churn rate of **9.8%**
  - Growth of the total base of contract services by **2.8%** YoY
    - Dynamic growth in the number of mobile Internet RGUs by **14.7%**, supported by the broadest coverage and highest quality offered by our network
    - Growth of the number of pay TV RGUs by **3.5%**, driven by continued demand for the Multiroom service as well as good selling of OTT services
    - Progressive stabilization of the voice service base, driven i.a. by a visible slowdown of the price pressure on the mobile telephony market. In Q1'16 the RGU base of contract mobile telephony increased again QoQ, this time by 19.7K
  - Stable growth of saturation of our customer base with integrated services:
    - As many as 18% (nearly 1.09m) of our customers already use the multi-play offer, which should have a positive impact on their loyalty in the future
    - Total number of RGUs contracted by this group of customers amounts to 3.22m

<sup>1</sup> pro-forma, Cyfrowy Polsat, Metelem, Midas, consolidated financial statements and internal analysis

<sup>2</sup> reported results, which take into account the consolidation of Midas Group starting from February 29<sup>th</sup> 2016

## Reported financial results of Cyfrowy Polsat Group

in mPLN	Q1'16	YoY change	Market consensus <sup>(1)</sup>	Difference
<b>Revenues, incl.:</b>	<b>2,364</b>	<b>2%</b>	<b>2,339</b>	<b>1.1%</b>
- Retail revenue	1,566	-4%	n/a	n/a
- Wholesale revenue	600	8%	n/a	n/a
- Sale of equipment	173	46%	n/a	n/a
- Other revenue	26	28%	n/a	n/a
<b>Operating costs, incl.:</b>	<b>1,948</b>	<b>2%</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	550	14%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	424	-9%	n/a	n/a
- Cost of equipment sold	327	-2%	n/a	n/a
- Content costs	248	6%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	201	6%	n/a	n/a
- Salaries and employee-related costs	138	7%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	10	-49%	n/a	n/a
- Other costs	51	-6%	n/a	n/a
<b>EBITDA</b>	<b>846</b>	<b>-6%</b>	<b>855</b>	<b>-1.0%</b>
<i>EBITDA Margin</i>	35.8%	-2.7pp	36.5%	-0.7pp
EBIT	423	-1%	425	-0.6%
Net profit	179	4%	178	0.1%

(1) based on estimates prepared by: BDM, BZ WBK, Citi, DB, DM BOŚ, DM mBanku, Erste, Haitong, ING, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Trigon

## Services to individual and business customer segment

	Q1		
	2016	2015	YoY change
<b>Total number of RGUs</b> (contract + prepaid)	<b>16,531,833</b>	<b>16,429,469</b>	<b>0.6%</b>
<b>CONTRACT SERVICES</b>			
<b>Total number of RGUs, including:</b>	<b>12,744,166</b>	<b>12,394,712</b>	<b>2.8%</b>
Pay TV, including:	4,560,267	4,405,464	3.5%
<i>Multiroom</i>	957,952	872,628	9.8%
Mobile telephony	6,536,366	6,552,365	-0.2%
Internet	1,647,533	1,436,883	14.7%
<b>Number of customers</b>	<b>5,893,225</b>	<b>6,068,839</b>	<b>-2.9%</b>
ARPU per customer [PLN]	87.0	85.8	1.4%
Churn	9.8%	9.5%	0.3 p.p.
RGU saturation per customer	2.16	2.04	5.9%
<b>PREPAID SERVICES</b>			
<b>Total number of RGUs, including:</b>	<b>3,787,667</b>	<b>4,034,757</b>	<b>-6.1%</b>
Pay TV	35,754	66,163	-46.0%
Mobile telephony	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%

- **The total number of active services** provided by the Group, both in the contract and prepaid models, amounted to 16,531,833.
- At the end of Q1'16 the share of contract services in the total number of provided active services was 77.1%. This indicator increased YoY from 75.4%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5,893,225 as at the end of Q1'16, i.e. 2.9% less compared to the number of customers in Q1'15. The drivers behind this decrease include the merging of contracts under one common contract for the household and the outflow of single-play customers, i.e. customers with only one service. In line with our strategic assumptions, the Group avoids conducting an aggressive customer acquisition policy on individual products and concentrates rather on increasing customer loyalty, in particular through offering a wide portfolio of bundled services, as well as on increasing ARPU per contract customer.
  - The number of active contract services provided by us increased by 2.8%, that is 349,454, to 12,744,166 in Q1'16. This change is primarily the effect of an increase of the number of broadband Internet access services by 210,650, i.e. 14.7%. The dynamic growth in the number of mobile Internet RGUs was

supported by the broadest coverage offered by our network, as well as its highest quality proven by a survey by UKE published in January 2016.

- The total number of pay TV services provided in the contract model increased by 3.5% YoY, that is 154,803, to 4,560,267 as at the end of Q1'16, mainly due to an increase by 85 thousand in the number of Multiroom services provided.
- Concurrently, the number of provided mobile telephony services stabilized at the level of 6,536,366 as at the end of Q1'16.
- We believe that further saturation of our customer base with integrated services, including our product smartDOM, will positively influence the growth of the number of contract RGUs provided by us in the future.
- As a result of the implementation of our strategy, we note an increase of ARPU in the contract services segment. ARPU per customer increased by 1.4%, to PLN 87.0 in Q1'16. In line with the assumptions of our long-term strategy, our Group aims to maximize revenue per contract customer through sales of additional products and services to the joined customer bases of Cyfrowy Polsat and Polkomtel, among others within the framework of our program smartDOM, which has a positive impact on ARPU per contract customer.
- Our churn rate was equal to 9.8% in the twelve-month period ended March 31, 2016 compared to 9.5% in the twelve-month period ended March 31, 2015.
- The saturation of our customer base with multi-play services is systematically growing. As at the end of Q1'16 each customer in our customer base had on average 2.16 active contract services, which constitutes an increase of 5.9% compared to Q1'15. The increase in RGU saturation per customer is the result of our marketing and sales activities aimed at maximizing the sale of products and services to one customer.
- The smartDOM program continues to record very good sales results and has a positive effect on both the level of RGU saturation per one customer and ARPU per contract customer. At the end of Q1'16 already almost 1.09 million customers had joined the program and had bought a total of 3.22 million RGUs. RGU saturation per customer in this group was approximately 3.0 as the end of Q1'16. Bearing in mind the long-term goal of our Group, which is to maximize revenue per contract customer through sales of additional products and services, the smartDOM program is perfectly in line with the implementation of our strategy.

- **Prepaid services**

- The number of prepaid services provided by us at the end of Q1'16 decreased by 6.1%, to 3,787,667. This decrease was caused among others by a migration of part of our customers from prepaid tariffs towards the contract services segment driven by relatively more attractive terms of post-paid tariffs as well as discounts offered in the smartDOM program.
- At the same time ARPU per prepaid RGU increased by 2.3% YoY to PLN 17.7 in Q1'16. The increase in the level of ARPU in the prepaid segment is connected mainly with higher consumption of data on smartphones as well as higher volumes of exchanged voice traffic at stable retail prices in the segment.

## Broadcasting and television production segment

	Q1		
	2016	2015	% change
<b>Audience share<sup>1</sup>, including:</b>	<b>24.4%</b>	<b>24.0%</b>	<b>1.8%</b>
POLSAT (main channel)	12.7%	13.4%	-5.3%
Thematic channels	11.7%	10.5%	10.9%
<b>Advertising market share<sup>2</sup></b>	<b>25.5%</b>	<b>25.1%</b>	<b>1.4%</b>
<b>Television ad market expenditure<sup>3</sup> (mPLN)</b>	<b>901</b>	<b>877</b>	<b>2.7%</b>

<sup>1</sup> NAM, All 16-49, all day, SHR%

<sup>2</sup> Our estimates based on SMG Poland data (formerly SMG Starlink)

<sup>3</sup> SMG Poland, air time and sponsorship

- Very good viewership results:
  - Polsat Group – the viewership leader in the commercial group
  - Excellent viewership figures of the spring schedule
  - Very positive effect of programming investments made in TV4 and TV6 channels
- Revenue from advertising and sponsorship in Q1'16 increased by 4.2% YoY (at that time the whole market grew at a rate of 2.7%) to PLN 229m, thanks to what our share in the TV advertising market increased to 25.5%.
- We maintain our expectations on the mid-single digit increase of the advertising market in 2015.