

- In Q4'15 Polsat Group revenue increased by 3.5% YoY to **PLN 2,610m** mainly due to:
  - Increase in wholesale revenue primarily due to significantly higher advertising revenue of TV Polsat, as well as to the growth of revenue from Interconnect and the lease of telecom infrastructure
  - Higher revenue from sales of equipment mainly due to higher revenue from sales of contracts for telecommunication services with a subsidized device (due to higher unit prices of the equipment sold), higher revenue from installment plan sales, optimal management of inventories and an increase in the sales of set-top boxes
  - Lower retail revenue primarily due to a decrease in revenue from voice services, caused by the highly competitive telecommunications market, which was partially offset by increasing revenue from mobile Internet access services
- Operating costs of the Group increased by 1.6% YoY and amounted to PLN 2,159m in Q4'15 (**PLN 1,723m** after excluding amortization). Their level was mainly influenced by:
  - Increase in technical costs due to increased costs of Interconnect and costs of data transfer within our broadband Internet access service
  - Decrease in depreciation, amortization, impairment and liquidation, i.a. as a result of lower costs of depreciation of the telecommunication infrastructure
  - Higher costs of equipment sold mainly driven by a higher volume of contracts for telecommunication services including equipment concluded in the fourth quarter of 2015 and an increase in the sales of set-top boxes
  - Lower costs of debt collection services and bad debt allowance and receivables written off among others due to lower costs of write-offs on receivables
- Revenue from advertising and sponsoring of TV Polsat Group increased by 10.9% YoY in Q4'15, to PLN 316m (at that time the whole market grew at a rate of 5.5%). 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 **26.1%**.
- EBITDA of Polsat Group amounted to **PLN 881m** (YoY growth of 5.2%) with a high EBITDA margin of **33.8%** (YoY growth of 0.6pp).
- EBIT of Polsat Group increased by 12.9% YoY, to **PLN 444m**.
- Finance costs decreased to **PLN 270m**, i.a. as result of lower net foreign exchange costs related to the valuation of the PLK Senior Notes.
- As a result, net profit of the Group increased to **PLN 186m**.
- Adjusted LTM FCF after interest amounted to **PLN 1.305m** (YoY growth of PLN 132m), while in Q4'15 alone it reached a record high level of **PLN 331m**.
- The main bank covenant – net debt/EBITDA based on nominal values decreased to **2.84x** at the end of Q4'15.
- Key performance indicators in the Q4'15:
  - Total number of RGUs at the level of **16.470m**, 77% of which are RGUs provided in the contract model
  - Stable contract customer base of **5.916m**
    - ARPU per customer increased by 1.3% YoY, to **88.3 PLN** (PLN 87.3 in the full year)
    - RGU saturation of **2.13** per customer with an upward trend
    - Churn rate of **10.0%**
  - Growth of the total base of contract services by **2.2%** YoY
    - The dynamic growth in the number of mobile Internet RGUs by **16.6%** is 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.
    - Growth of the number of pay TV RGUs by **2.5%**, driven by continued demand for the Multiroom service
    - Progressive stabilization of the voice service base, which is driven i.a. by a visible slowdown of the price pressure on the mobile telephony market. In Q4'15 the RGUs base of contract mobile telephony increased by 11.6 thousand
  - Stable growth of saturation of our customer base with integrated services:
    - As many as 17% (over 1m) 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 3.04m
    - The goal of 1 million smartDOM customers by the end of 2015 has been achieved

## Financial results of Cyfrowy Polsat Group

in mPLN	Q4'15	YoY change	Market consensus <sup>(1)</sup>	Difference
<b>Revenues, incl.:</b>	<b>2,610</b>	<b>4%</b>	<b>2,537</b>	<b>2.9%</b>
- Retail revenue	1,621	-5%	n/a	n/a
- Wholesale revenue	738	15%	n/a	n/a
- Sale of equipment	227	42%	n/a	n/a
- Other revenue	24	33%	n/a	n/a
<b>Operating costs, incl.:</b>	<b>2,159</b>	<b>2%</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	585	5%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	437	-2%	n/a	n/a
- Cost of equipment sold	394	5%	n/a	n/a
- Content costs	299	1%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	220	1%	n/a	n/a
- Salaries and employee-related costs	158	5%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	8	-72%	n/a	n/a
- Other costs	59	6%	n/a	n/a
<b>EBITDA</b>	<b>881</b>	<b>5%</b>	<b>846</b>	<b>4.1%</b>
<i>EBITDA Margin</i>	33.8%	0.6pp	33.3%	0.5pp
EBIT	444	13%	432	2.8%
Net profit	186	1,227%	165	12.3%

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

## Services to individual and business customer segment

	Q4		
	2015	2014	YoY change
<b>Total number of RGUs</b> (contract + prepaid)	<b>16,469,696</b>	<b>16,482,031</b>	<b>-0.1%</b>
<b>CONTRACT SERVICES</b>			
<b>Total number of RGUs, including:</b>	<b>12,614,703</b>	<b>12,347,828</b>	<b>2.2%</b>
Pay TV, including:	4,503,320	4,391,702	2.5%
<i>Multiroom</i>	936,307	844,809	10.8%
Mobile telephony	6,516,643	6,587,915	-1.1%
Internet	1,594,740	1,368,211	16.6%
<b>Number of customers</b>	<b>5,916,103</b>	<b>6,137,531</b>	<b>-3.6%</b>
ARPU per customer [PLN]	88.3	87.2	1.3%
Churn	10.0%	9.1%	0.9 p.p.
RGU saturation per customer	2.13	2.01	6.0%
<b>PREPAID SERVICES</b>			
<b>Total number of RGUs, including:</b>	<b>3,854,993</b>	<b>4,134,203</b>	<b>-6.8%</b>
Pay TV	31,972	122,787	-74.0%
Mobile telephony	3,591,736	3,792,978	-5.3%
Internet	231,285	218,438	5.9%
ARPU per prepaid RGU [PLN]	18.5	18.2	1.6%

- **The total number of active services** provided by the Group, both in the contract and prepaid models, amounted to 16,469,696.
- At the end of Q4'15 the share of contract services in the total number of provided active services was 76.6%. This indicator increased YoY from 74.9%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5.916.103 as at the end of Q4'15, i.e. 3.6% less compared to the number of customers in Q4'14. The main drivers behind this decrease are 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. It must be emphasized that in the second half of 2015 the rate of outflow of contract customers was significantly lower compared to the first half of 2015.
  - The number of active contract services provided by us increased by 2.2%, to 12,614,703 as at the end of Q4'15. This change is primarily the effect of an increase of the number of broadband Internet access services by 226,529, i.e. 16.6%. The dynamic growth in the number of mobile Internet RGUs is 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 2.5% at the end of Q4'15 to 4,503,320, mainly due to an increase by 91.5 thousand in the number of Multiroom services provided. Concurrently, the number of provided mobile telephony services decreased from 6,587,915 in Q4'14 to 6,516,643 as at the end of Q4'15 due to the fact that the Polish mobile telephony market is highly competitive and mature. It is worth emphasizing, that the base of active mobile telephony services provided in the post-paid model is stabilizing from quarter to quarter. For the first time in three years, we recorded an increase of 11.6 thousand in this segment in the fourth quarter of 2015. 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.
- In Q4'15 ARPU per customer increased by 1.3%, to PLN 88.3. 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 10.0% in the twelve-month period ended December 31, 2015 compared to 9.1% in the twelve-month period ended December 31, 2014 due, among others, to an accumulation of contracts with our customers which expired during the first half of 2015, thanks to which the rate of growth of this indicator decelerated significantly in the second half of 2015.
- The saturation of our customer base with multi-play services is systematically growing. As at the end of Q4'15, each customer in our customer base had on average 2.13 active contract services, which constitutes an increase of 6.0% compared to 4Q'14. 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 records 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 December 2015, already over 1 million customers had joined the program and had bought a total of 3.04 million RGUs. RGU saturation per customer in this group was approximately 3.0 as at December 31, 2015. 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 Q4'15 decreased by 6.8%, to 3,854,993. This change 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 1.6% YoY in Q4'15, to PLN 18.5. 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

	Q4		
	2015	2014	% change
<b>Audience share<sup>1</sup>, including:</b>	<b>24.8%</b>	<b>24.5%</b>	<b>1.2%</b>
POLSAT (main channel)	13.2%	13.7%	-3.4%
Thematic channels	11.6%	10.9%	6.7%
<b>Advertising market share<sup>2</sup></b>	<b>26.1%</b>	<b>24.9%</b>	<b>5.2%</b>
<b>Television ad market expenditure<sup>3</sup> (mPLN)</b>	<b>1,208</b>	<b>1,145</b>	<b>5.5%</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's main channel and Polsat Group are the viewership leaders in the commercial group
  - Positive effect of programming investments made in TV4 and TV6 channels
- Revenue from advertising and sponsorship in Q4'15 increased by 10.9% YoY (double the market average) to PLN 316m, thanks to what our share in the TV advertising market increased to 26.1%.
- We expect a middle single-digit increase of the TV advertising and sponsoring market in 2016.