



# Cyfrowy Polsat IR Newsletter

May 9 – 15, 2016



Media about us	Date	Media about the TMT market in Poland
	10.05	<p><b>Rzeczpospolita: Wired Internet access revives</b> <i>by Urszula Zielińska</i></p> <p>After several quarters of competition from LTE mobile Internet access, the number of subscribers of fixed-line Internet access is picking up again. According to Orange Polska, the fixed-line Internet access market recorded slight growth in Q1 2016 (by 2K subscribers). The company also revised its estimates for Q4 last year, presenting growth by 8K instead of a decrease by 1K.</p> <p>The biggest players on the CATV market have been increasing their broadband Internet access subscriber bases. According to "Rzeczpospolita" daily, UPC Polska gained broadband access customers in Q1 (data is not available yet, the daily estimates the number of customers at 1.1m as at the end of March 2016) and so did Vectra (+6K customers, giving a total of 538K at the end of March 2016) . Cable operators owe the net adds to acquisition of small, local cable networks, as well as to the expansion of their own network coverage and to their marketing efforts.</p> <p>There is no general agreement among experts as to whether fixed-line Internet will continue to grow in the coming quarters. In Q1 sales of cable access could have been better due to smaller activity of mobile operators, most of whom were waiting for the allocation of spectrum from the 800 MHz bandwidth, which allows the launch of broadband services in less urbanized areas.</p>

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<p><b>Rzeczpospolita: Solorz goes to the movies</b>  <i>by Urszula Zielińska</i></p> <p>A new tool has been proposed by Cyfrowy Polsat supporting producers and directors of Polish movies and series. During a press conference devoted to the “Digital Zone for Artists” (Cyfrowa Strefa Twórców) program, Aleksander Myszk, the former CEO of Polsat TV and the current member of Cyfrowy Polsat’s supervisory board, said that entering the film production market is becoming a strategic goal for Polsat Group.</p> <p>A website, by means of which filmmakers can apply for support at any stage of the film production process, is one of the elements of the program. The submitted projects will be evaluated by a team which is now being built at Polsat.</p> <p>Cyfrowy Polsat Group wants to buy ideas and scripts as well as co-produce and distribute films, acquire licenses to films for many fields of use, as well as acquire the rights to remakes and sequels of cinema movies, buy series formats, licenses for showing films with mini-series.</p> <p>Agnieszka Odorowicz, a member of the management board of Cyfrowy Polsat, stated that a film’s financial potential will be the selection criterion. Movies offering sales of more than 200,000 tickets, preferably those without a distributor will be the targets.</p> <p>The amounts that the group can invest in cinematography have not been disclosed yet. The group’s representatives want to</p>	<p><b>12.05</b></p>	<p><b>Dziennik Gazeta Prawna: Prepaid service census</b>  <i>by Sylwia Czubkowska</i></p> <p>According to the provisions of the latest version of the draft counter-terrorist act, telecom operators have two months to start the registration of prepaid SIM cards and time until January 2, 2017 for completing the process. In the opinion of the industry, the deadline is very tight, at the limit of what is possible for the operators. The legislator has not published any detailed guidelines or implementation regulations yet. It is only known that the operators will be responsible for developing the system and carrying out the information campaign.</p> <p>There are many question marks as regards the practical aspects of the process. The doubts concern e.g. the registration of cards used by minors, authorization of sellers selling prepaid SIMs in locations other than operators’ own stores (prepaid SIMs are sold e.g. at newsagents’ stores, gas stations or grocery stores) to register new cards and the method of such a registration, or the fate of the phone numbers whose owners will not register by the indicated deadline.</p> <p>Operators have postulated moving the final registration deadline from January 2 to February 1, 2017 due to the fact that the original deadline is in the midst of the holiday season, which could prove a major obstacle for both, users and operators.</p>

# Press review



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<p>implement all good projects.</p> <p>In the opinion of Magdalena Sroka, the director of PISF (Polish Film Institute), Polsat Group's program is a new, important instrument for financing Polish cinematography. In her opinion, if the group wants to support several quality feature productions per year, and if it does not rule out the possibility of financing these in 100%, then this could mean an additional several dozen million zlotys on the audio-visual market.</p> <p>Polsat Group signed an agreement with PISF. Magdalena Sroka says that the agreement has a nature of a letter of intent. By providing information about the projects and their authors, at their consent, PISF cooperates in a similar way with Canal+ as well as with regional organizations which finance films.</p>	12.05	
<p><b>Rzeczpospolita: Polsat and Midas are in the black</b></p> <p><i>by ziu</i></p> <p>Quarterly results of Cyfrowy Polsat Group, consolidating for the first time the results of Midas Group, acquired in February, turned out to be aligned with analysts' expectations. In Q1 2016 the Group reported PLN 2.36 bn of revenue, EBITDA of PLN 846m and net profit in the amount of PLN 179m.</p> <p>The group's revenue grew by 2% YoY, due to the consolidation of the results of Midas Group, provider of mobile data transmission. In addition the Group saw growth of revenue from sale of smartphones and an increase of the number of</p>	13.05	

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<p>subscribers of mobile Internet access (to 1.65m). EBITDA decreased by 6% due to higher technical costs and higher cost of interconnect settlements.</p> <p>Maciej Stec stressed that the Group's broadcasting arm also had a good quarter. Its revenue increased by 5%, to PLN 300m. Advertising revenue increased by 4.2% and grew faster than the market.</p> <p><b>Parkiet: Cyfrowy Polsat does not take back its statement on dividend</b></p> <p><i>by Urszula Zielińska</i></p> <p><i>"This year Cyfrowy Polsat Group will generate PLN 1.2-1.4 bn of free cash flow and will return to a policy which assumes regular dividend payments,"</i> stated Tomasz Szeląg, responsible for financial matters in the company's board, while discussing the results for Q1 2016. He reminded that dividend payments will reappear once the net debt to EBITDA ratio falls below 3.2. At the end of March, with last year's EBITDA of PLN 3.6 bn, the ratio was 3.34.</p> <p>Tobias Solorz, CEO of Cyfrowy Polsat, pointed out that the most important elements which will influence the results include new roaming prices, on the one hand, and efficiency of the implementation of the multiplay strategy (smartDOM), on the other. He added that the new law, enforcing the registration of prepaid SIMs, could have a negative influence on the results but it is still too early to foresee its impact.</p>	13.05	

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<p>Solorz feels that the group still has big potential of sale of its smartDOM offer, which was used by 18% (nearly 1.1m) of the group's customers at the end of March 2016. This year he wants to increase the figure to 1.5 million.</p> <p>Tomasz Szeląg informed that in the next 12 months the new roaming rates in the European Union could reduce the group's EBITDA by PLN 50m. According to Szeląg, the group is not working on any significant acquisition. Its plans are subordinated to debt which amounted PLN 13.89 bn (gross) and PLN 12.13 bn (net) at the of March. Since that time the group has repaid Midas' debt in Pekao Bank and PlusBank, while the companies from the Group bought back zero-coupon bonds issued by Midas. Surplus cash will be used for repaying the bonds issued by Litenite, a vehicle which was acquired together with Midas.</p>	<b>13.05</b>	

Press release  
May 10, 2016

**24 matches broadcast live in Polsat. All 51 matches broadcast live, without commercials, only on premium channels Polsat Sport 2 and Polsat Sport 3**

Every match day from June 10 to July 10, Polsat's main channel (and simultaneously Polsat Sport) will broadcast live 24 matches of the UEFA EURO 2016 tournament in France, including the opening match, all the matches of the Polish team in every phase of the tournament, four "final 16" matches, the quarterfinals, semi-finals and the final match.

All the 51 UEFA EURO2016 matches will be broadcast live only on two premium channels, Polsat Sport 2 HD and Polsat Sport 3 HD, together with exclusive materials, without any commercials and in HD quality. The premium channels will take off on June 10, 2016.

Polsat Sport 2 HD, as the leading channel, will be showing most of the matches live, while Polsat Sport 3 HD will show reruns and live matches, if two matches are played at different stadiums at the same time. Polish viewers will be able to watch over 200 hours of live coverage broadcast at highest quality directly from French stadiums and centers in which the best teams from Europe will be stationed.

The package of premium channels, Polsat Sport 2 HD and Polsat Sport 3 HD, will be offered via cable and satellite TV operators who will decide to distribute them.

Press release  
May 10, 2016

**iNsure your car with Plus already today!**

Plus is introducing yet another innovative service thanks to which one can insure a car without having to meet an insurance agent. The service, which has been introduced by Plus, is a state-of-the-art formula of car insurance, which has so far not been available on the telecommunication operators' market. It enables the preparation of car insurance offers, the purchase of the best offer and saving the insurance policy to a smartphone. All that in several simple steps thanks to the uBezpiecz (iNsure) application developed in cooperation with BENEFIA Ubezpieczenia – an insurance company from VIG Group.

Press release  
May 11, 2016

**Polsat Group plans to invest into cinema production and distribution. The Company launches a program for filmmakers and starts the cooperation with the Polish Film Institute**

Polsat Group invites filmmakers to submit interesting projects which the Group might support in terms of production, promotion and distribution under the new program called Digital Filmmakers Zone (Cyfrowa Strefa Twórców). A good idea is what counts, as well as the potential of a given film for reaching wide cinema and television audience, not only in Poland but also and the international arena. Projects may be submitted via the website [www.cyfrowastrefatworcow.pl](http://www.cyfrowastrefatworcow.pl). The program has been initiated by Cyfrowy Polsat, Polsat TV, IPLA, Polkomtel and Dystrybucja Mówi Serwis.

The agreement between Cyfrowy Polsat and the Polish Film Institute was also signed today. The agreement envisages substantial cooperation of the entities which includes rendering available, against the consent of filmmakers and producers, the effects of the Operational Programmes of the Polish Film Institute and which is aimed at providing financial, in-kind and distribution support by Polsat Group to the selected, valuable film projects submitted to the Polish Film Institute, which simultaneously meet the terms of the Digital Filmmakers Zone.

The Digital Filmmakers Zone is the first integrated digital platform on the market for communication between filmmakers, screenwriters and producers and Program initiators who are waiting for interesting, audio-visual forms of Polish arts, including movies addressed to a wide audience and which are primarily intended for screening at cinemas.

Through the Digital Filmmakers Zone Polsat Group would like to implement plans intended to increase the involvement of companies into film production, co-production and distribution, in order to extend the Polish offer and make it more attractive, as well as to increase the cinema audience who deliberately selects Polish productions.

[More>><http://www.grupapolsat.pl/en/archive/polsat-group-plans-invest-cinema-production-and-distribution-company-launches-program>](http://www.grupapolsat.pl/en/archive/polsat-group-plans-invest-cinema-production-and-distribution-company-launches-program)



Press release  
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 129K 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 1.1m customers of the program,
  - This group of customers owns 3.22m contract services.
- The total number of contract services increased by 129K in Q1, reaching 12.7m, while the average revenue per customer increased to PLN 87 YoY.
- The contract base of mobile Internet services increased by 53K QoQ, reaching 1.65m. The total number of active Internet access services was 1.9m.
- Owing to good sales of Multiroom and OTT, the number of pay TV contract services increased by 57K in the QoQ perspective and reached nearly 4.6m.
- 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 20K QoQ. At the same time, plus is taking the lead in customer loyalty statistics (the lowest churn in the area of MNP).

# Recent events



Press release  
May 12, 2016

- As a result, the total number of contract services provided by Polsat Group grew by 349K 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 229m. 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 3.8m.
- Very good pro forma financial results<sup>1)</sup> of the Group:
  - Revenue: PLN 2.284 billion,
  - EBITDA: PLN 865m,
  - 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.

More>><http://www.grupapolsat.pl/en/archive/cyfrowy-polsat-sums-q1-2016-effective-implementation-smartdom-strategy-and-fast-growth>

# Cyfrowy Polsat shares



Date	Maximum price (PLN)	Minium price (PLN)	Closing price (PLN)	Change (%)	Trade value (kPLN)
2016-05-09	23.79	23.03	23.26	-1.11%	6 961
2016-05-10	23.39	23.12	23.29	0.13%	9 425
2016-05-11	23.47	22.71	22.71	-2.49%	13 317
2016-05-12	22.94	22.52	22.56	-0.66%	7 524
2016-05-13	22.86	22.24	22.56	0.00%	7 432



# Investor's calendar



May 16, 2016	Ipopema/WSE/Auerbach Grayson: Poland Capital Markets Day, NY
August 11 – 25, 2016	Closed period prior to the publication of H1 2016 results
August 25, 2016	Consolidated semi-annual report for the 1st half of 2016 Closed period prior to the publication of H1 2016 results