



Financial results

Q2 2016

25 August 2016

Cyfrowy Polsat S.A. Capital Group



Agenda



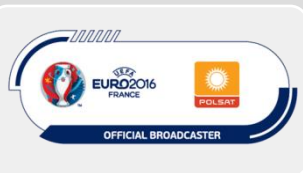
1. Key events – Q2'16
2. Operating results
3. Pro-forma financial results
4. Summary and Q&A



1. Key events – Q2'16



Key events



Great sales and viewership results of UEFA EURO 2016



Launch of the implementation of a new integrated sales, customer service and billing system for products and services of Polsat Group



Upgrade of the corporate rating of Cyfrowy Polsat by Moody's (currently Ba2, stable)



Completion of the process of acquisition of 100% shares in Midas S.A. and withdrawing the shares from trading on the Warsaw Stock Exchange



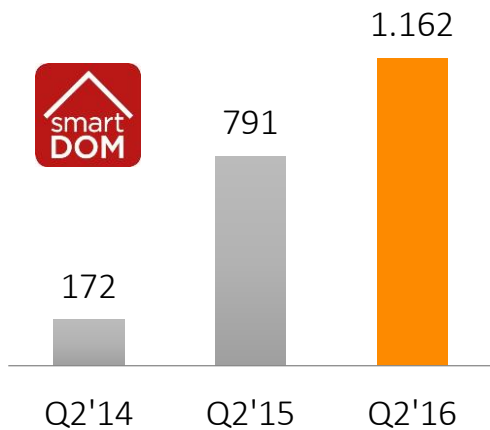
Unique market strategy



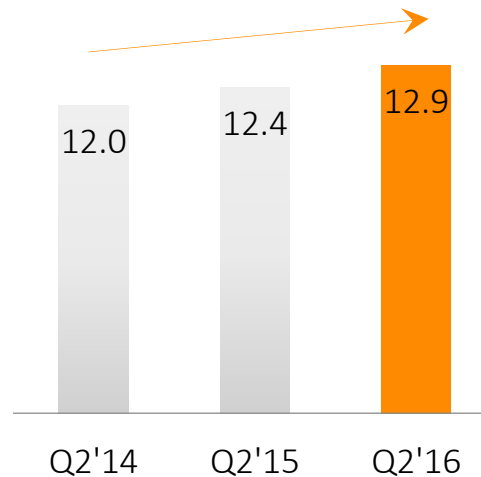
Effective implementation of the smartDOM strategy



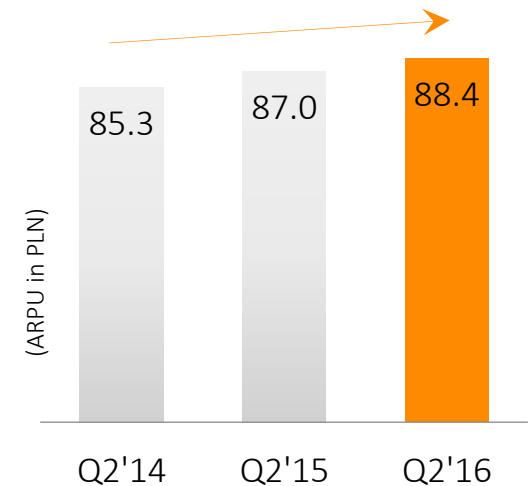
Over 1 million multiplay customers acquired in 2 years



Total number of contracted RGUs



ARPU per contracted customer



2. Operating results



2.1 Broadcasting and TV production segment



Monetization of UEFA EURO 2016 carried out through several channels



UEFA
EURO2016
FRANCE

Free-to-air

- 24 matches free-to-air in Polsat and Polsat Sport channel
- Distribution of news on UEFA EURO 2016 in Ipla
- Sponsorship – mini programs

Advertising and sponsoring

Paid channels

- Live coverage of all matches (51 matches)
- 2 HD channels – Polsat Sport 2 and 3
- Over 200 hours of live coverage WITHOUT ADS
- Distribution: CP, nc+, cable operators, Ipla



Subscription fees

Sublicenses

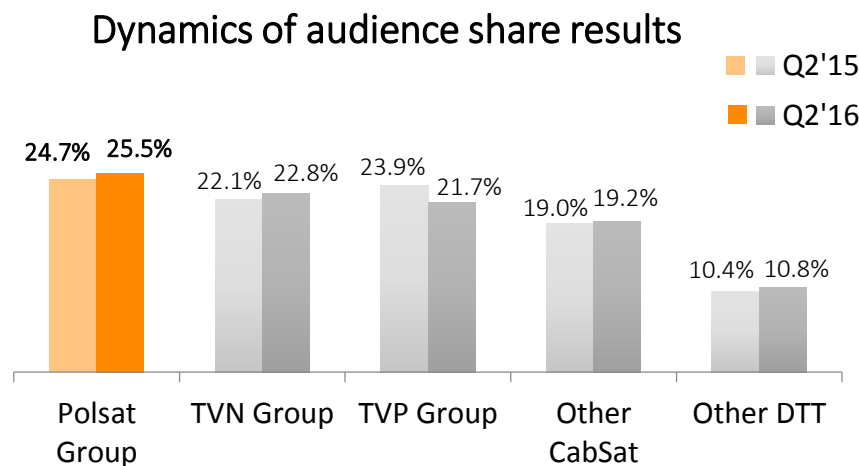
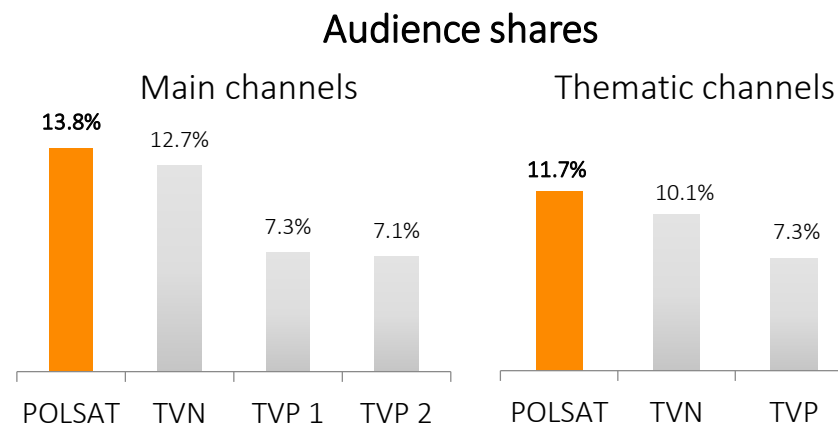
- Re-sale of broadcasting rights to 11 matches to TVP – parallel broadcast with Polsat
- Sale of rights for public broadcasting (pubs, hotels, etc.)

Sale of sublicenses

Viewership of our channels in Q2'16



- Polsat's main channel and Polsat Group are the viewership leaders in the commercial group
- Positive effect of viewership figures of the UEFA EURO 2016



Source: NAM, All 16-49, all day, SHR%; internal analysis

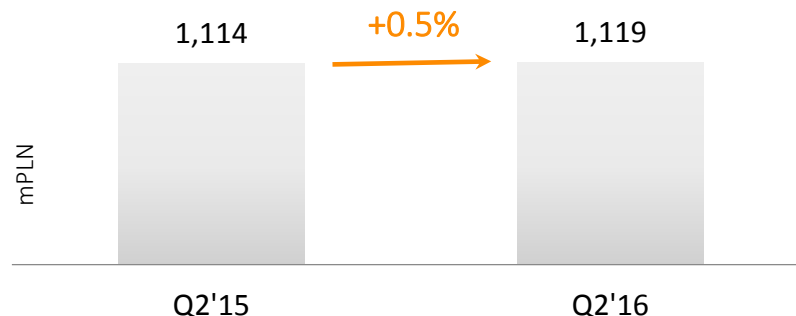


Position on the advertising market in Q2'16

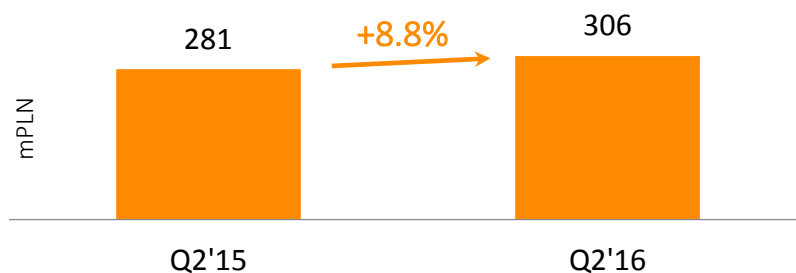


- TV advertising and sponsorship market in Q2'16 increased YoY by 0.5%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew much faster than the market (positive effect of UEFA EURO 2016)
- Our share in the TV advertising and sponsoring market increased to 27.3%

Market expenditures on TV advertising and sponsorship



Revenue from advertising and sponsorship of TV Polsat Group⁽¹⁾



Source: SMG Poland (formerly SMG Starlink), airtime and sponsorship; TV Polsat; internal analysis

Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to SMG Poland's definition

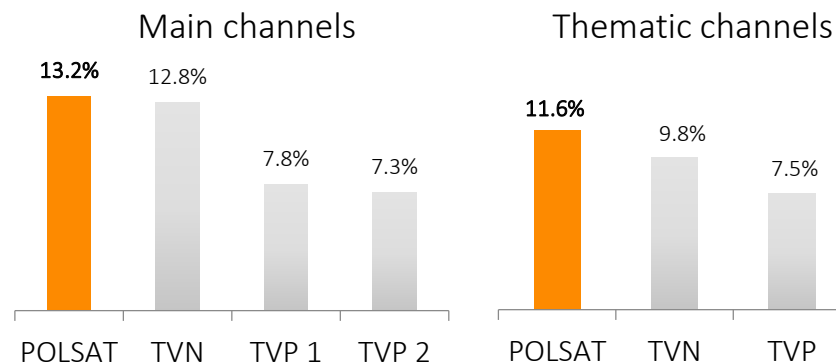


Viewership of our channels in H1'16

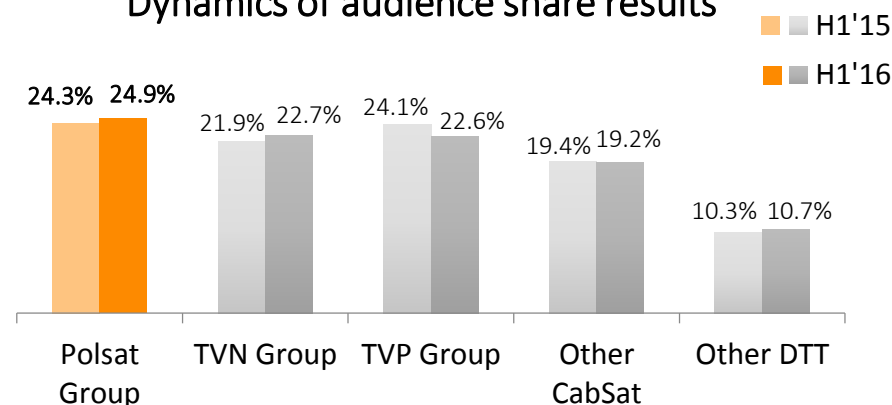


- Polsat's main channel and Polsat Group are the viewership leaders in the commercial group
- Polsat Group viewership in line with the long-term strategy

Audience shares



Dynamics of audience share results



Source: NAM, All 16-49, all day, SHR%; internal analysis

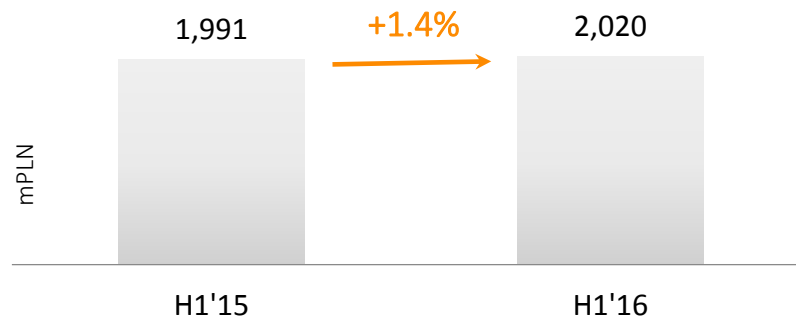


Position on the advertising market in H1'16

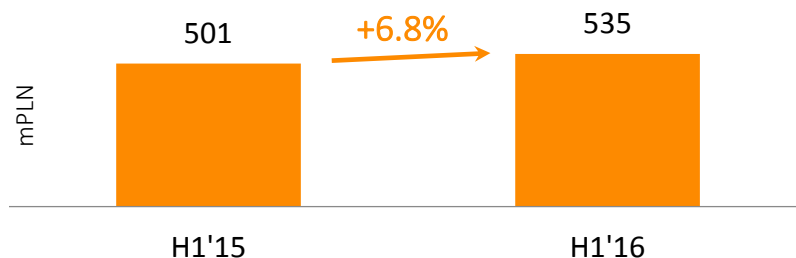


- TV advertising and sponsorship market in H1'16 increased YoY by 1.4%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew much faster than the market (positive effect of UEFA EURO 2016)
- Our share in the TV advertising and sponsoring market increased to 26.5%

Market expenditures on TV advertising and sponsorship



Revenue from advertising and sponsorship of TV Polsat Group⁽¹⁾



Source: SMG Poland (formerly SMG Starlink), airtime and sponsorship; TV Polsat; internal analysis

Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to SMG Poland's definition



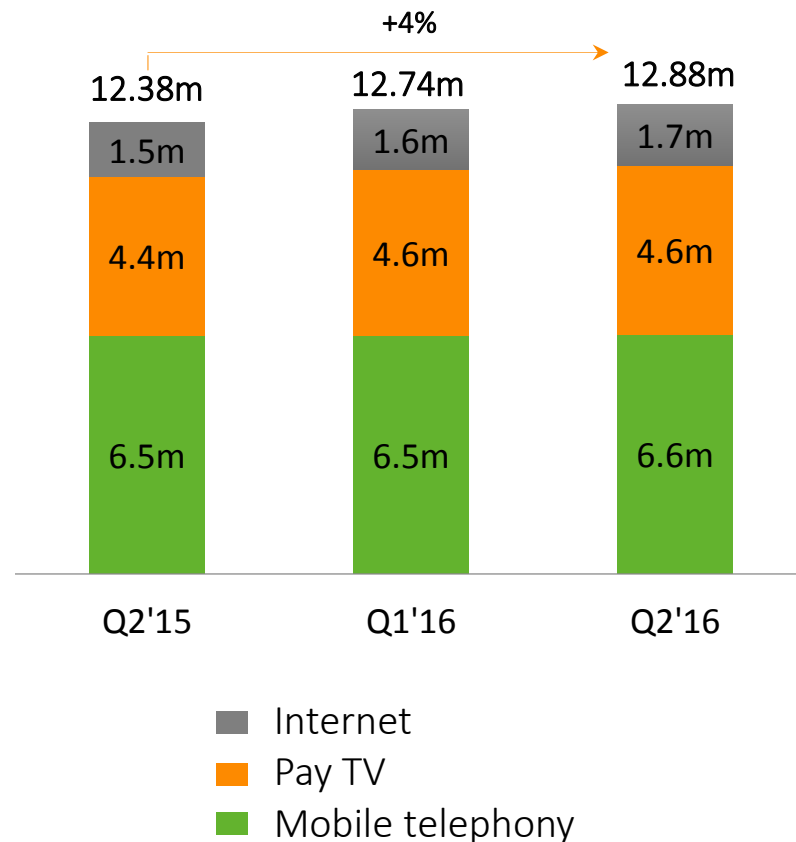
2.2 Services to individual and business customers



Contract services growing rapidly



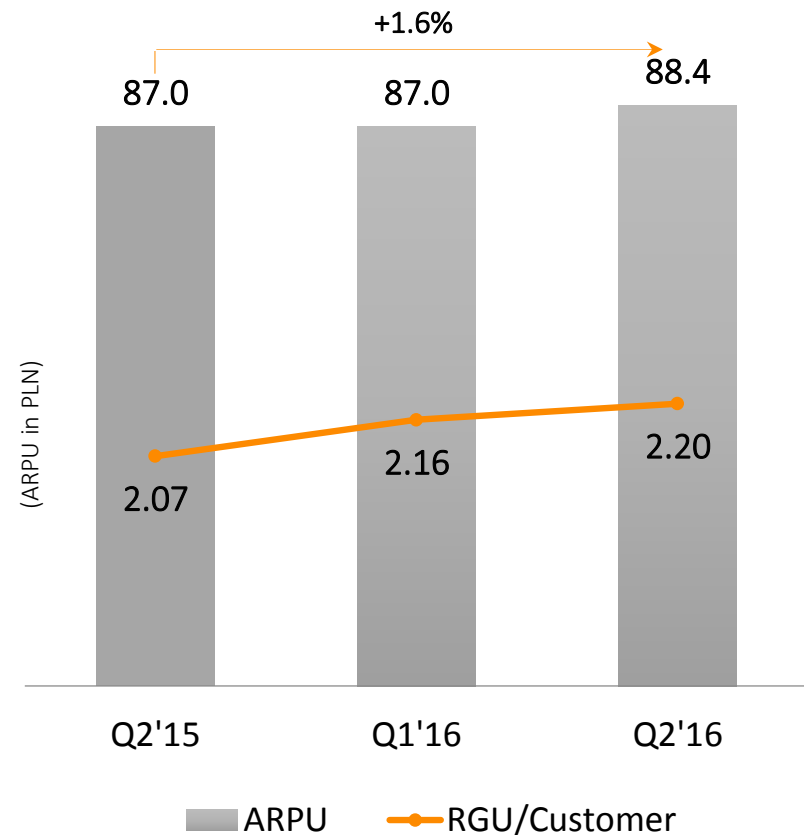
- Strong increment of contract services (+504K YoY, +137K QoQ)
- Further growth in Internet access services (+42K QoQ), supported by top quality LTE network
- Pay TV RGUs growth of +72K (the effect of multiroom and OTT)
- Another quarter with positive results for mobile telephony (low churn and favorable influence of the multiplay strategy)



Effective building of ARPU per customer

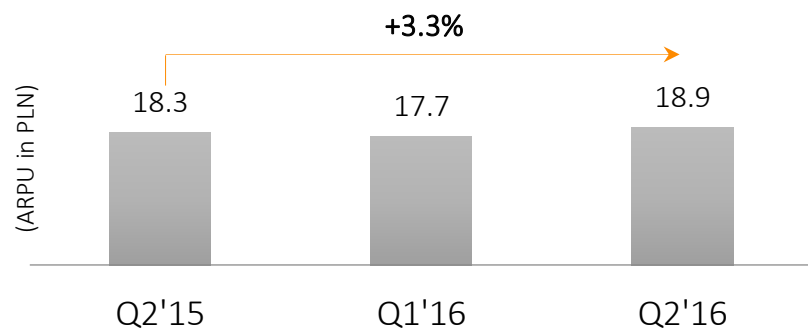
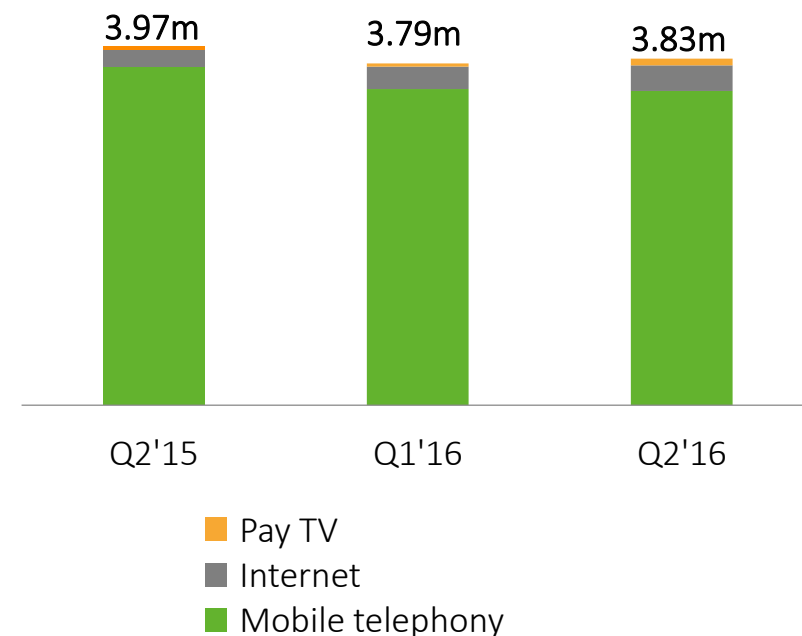


- ARPU from contract services is growing continuously
- Successful product up-selling is reflected in the growth of saturation of RGUs per customer
- The multiplay strategy and continued mobile market stabilization may allow the favorable trend to be sustained



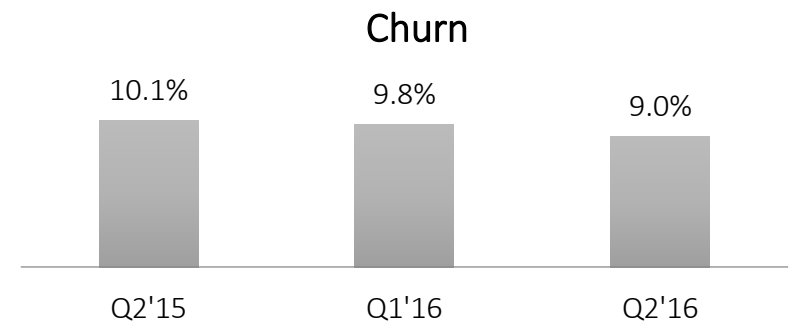
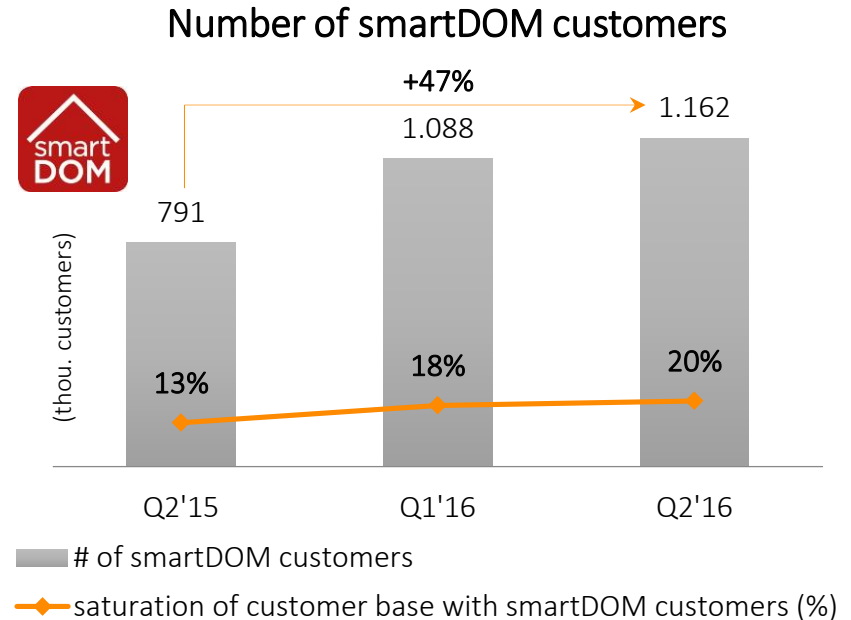
Prepaid – further ARPU growth

- Growth of prepaid ARPU by +3.3% YoY – as the outcome of continuously growing data consumption and IC
- Successive migration of customers of prepaid voice services to contract tariffs
- Growth in the number of Internet access RGUs by +47% YoY (active SIMs only)



Success of the smartDOM strategy

- Dynamic growth in the number of customers of the multiplay offer (+371K YoY, +74K QoQ)
- Total number of RGUs contracted by this group of customers amounts to 3.44m
- As many as 20% of our contract customers already use the multiplay offer, which is positively reflected in reported churn



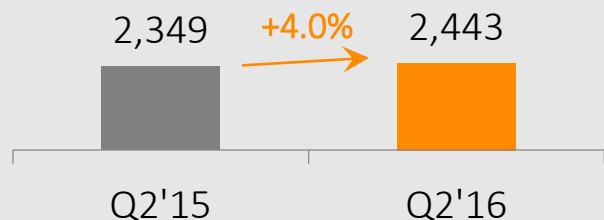
3. Pro-forma financial results

Full quarterly consolidation of Midas Group results

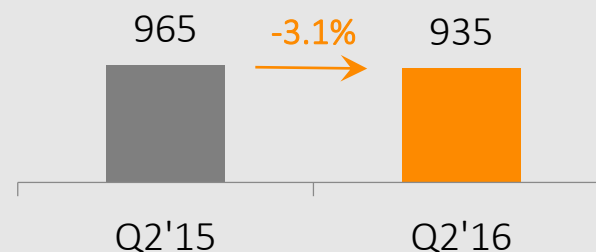


Pro-forma results of the Group

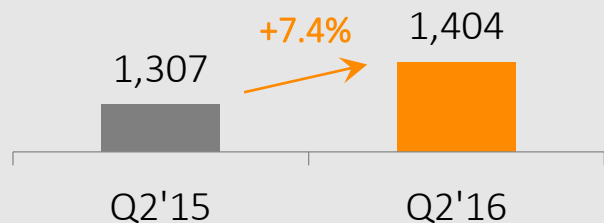
revenue



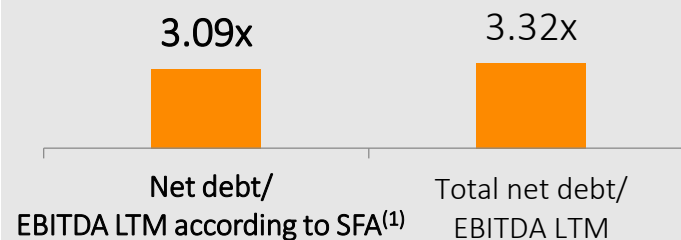
EBITDA



LTM FCF



net debt/EBITDA



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

Note: (1) Net leverage according to SFA definition, i.e. excluding non-cash serviced debt

Pro-forma results of the segment of services to individual and business customers in Q2'16



mPLN	Q2'16	YoY change
Revenue	2,072	1%
Operating costs ⁽¹⁾	1,325	7%
EBITDA	754	-9%
EBITDA margin	36.4%	-4.1pp

- Revenue growth due to higher revenue from sales of equipment and higher wholesale revenue
- Cost level mainly affected by higher technical costs and IC settlements, higher content cost and cost of equipment sold

Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



Results of the broadcasting and TV production segment in Q2'16



mPLN	Q2'16	YoY change
Revenue	451	30%
Operating costs ⁽¹⁾	270	27%
EBITDA	181	35%
EBITDA margin	40.1%	1.5pp

- Higher revenue growth vs costs, i.a. due to the financial success of UEFA EURO 2016

Source: Consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



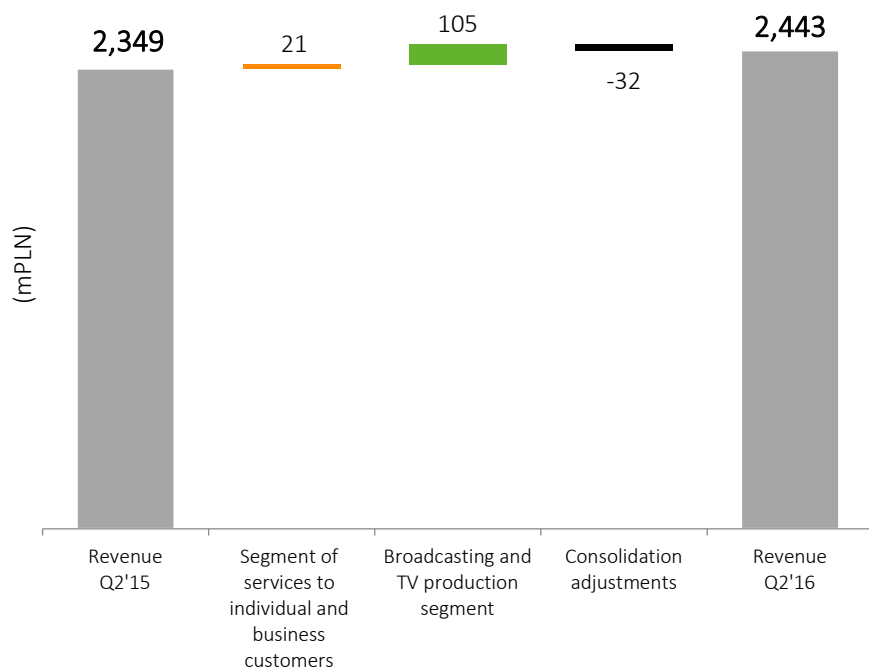
Revenue and costs pro-forma – change drivers in Q2'16



Revenue

YoY change

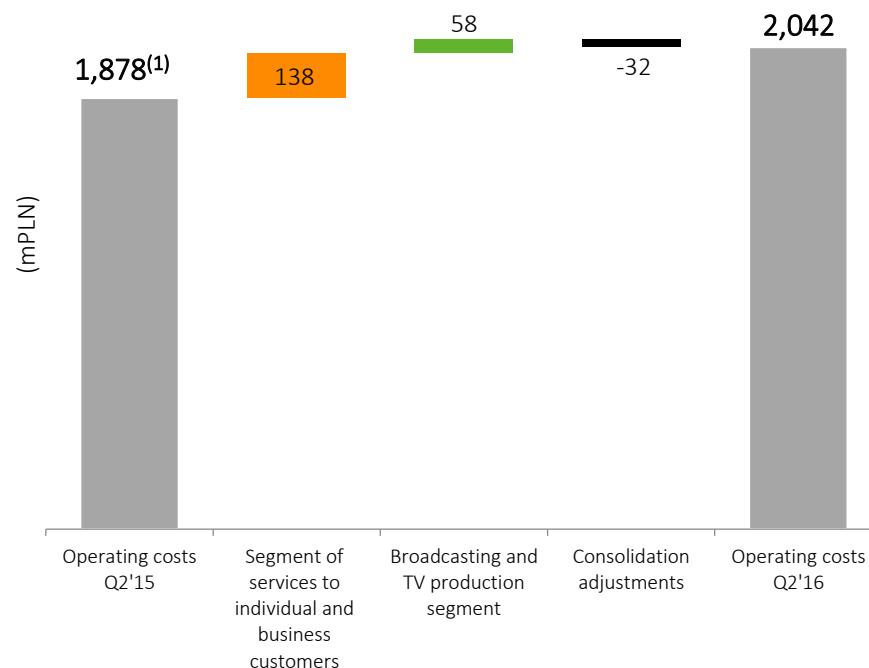
+4%
+94m



Operating costs

YoY change

+9%
+164m

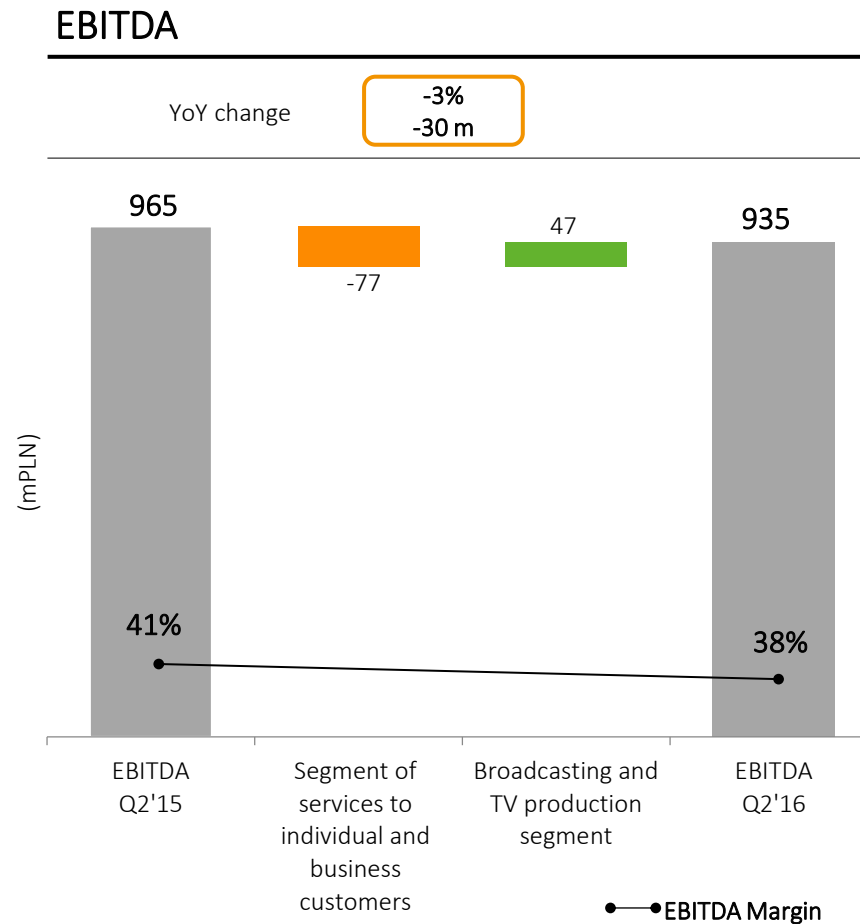


Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

Note: (1) On the assumption that the value of frequencies as at 01.01.2015 is equivalent to the value of the frequencies estimated in the preliminary PPA as at 29.02.2016



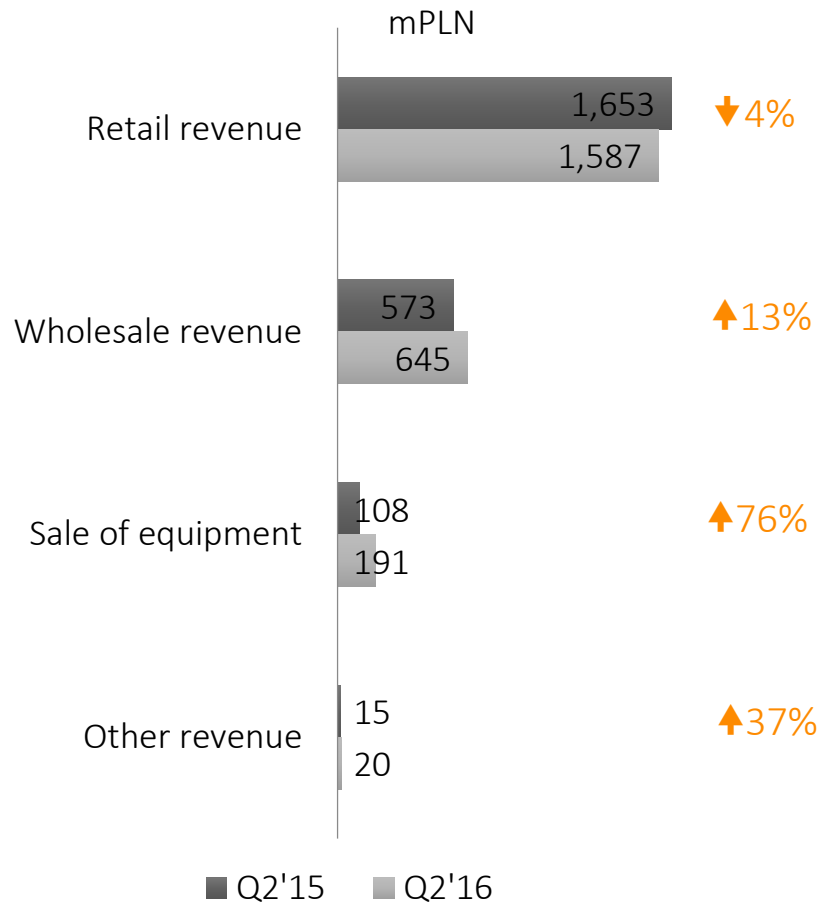
EBITDA pro-forma – change drivers in Q2'16



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

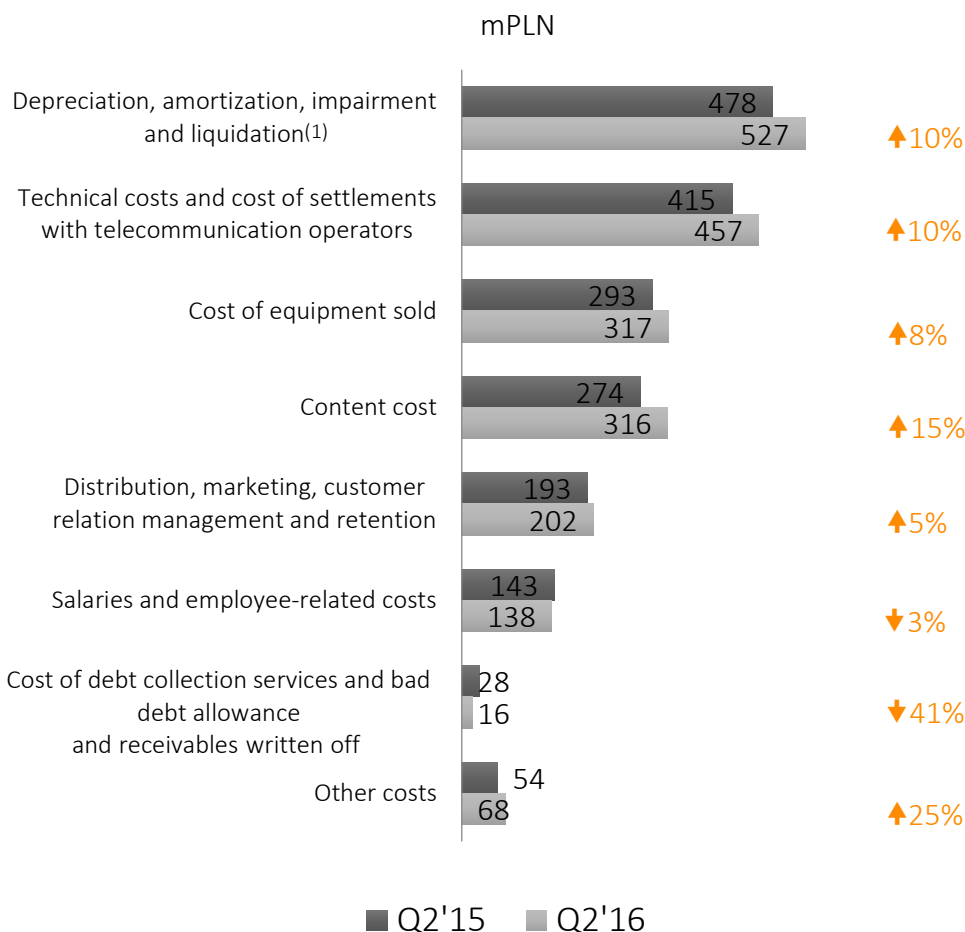


Pro-forma revenue structure in Q2'16



- The decrease of revenue from voice services has been partially compensated by higher revenue from pay TV services and 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 share of installment plan sales, lower subsidies, as well as the optimization of stock levels

Pro-forma operating costs structure in Q2'16



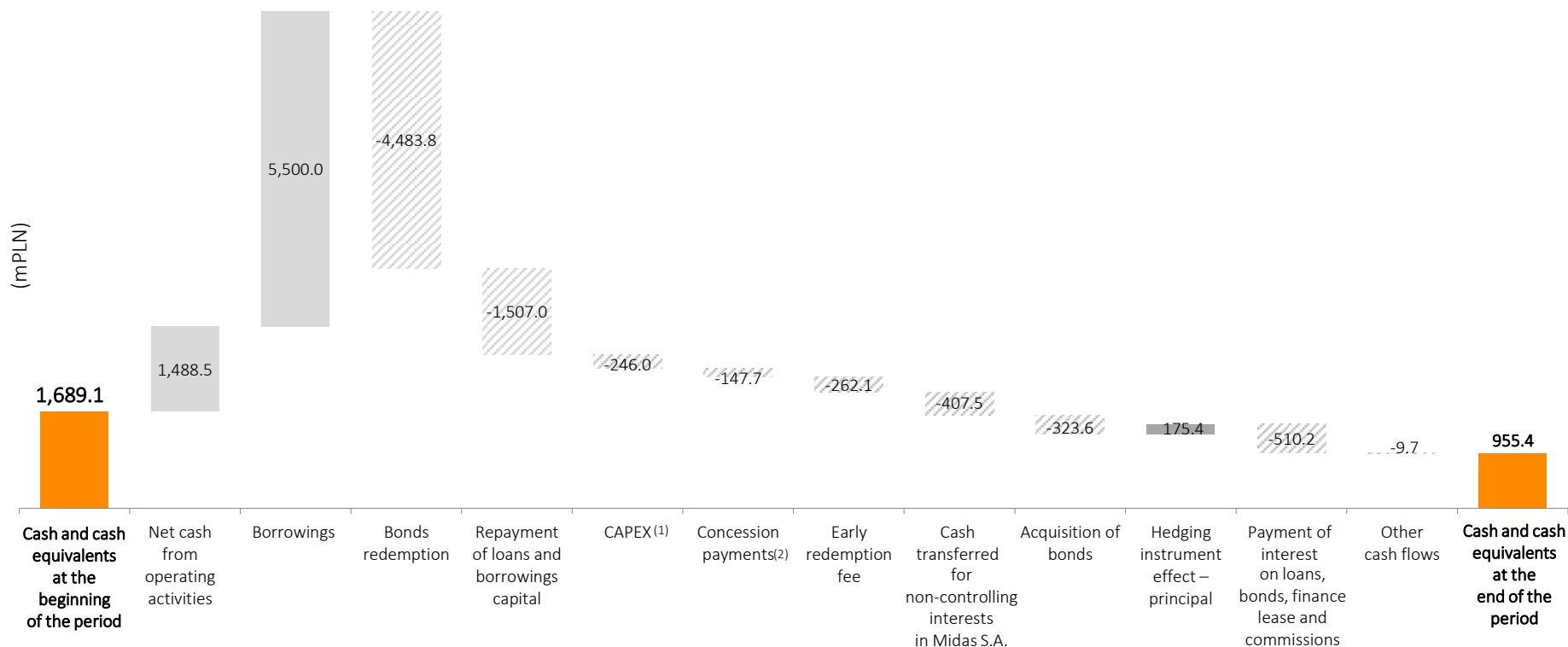
- Higher cost of depreciation, primarily as the result of the recognition in Q2'16 of depreciation costs of telecommunications licenses, which belong to Midas Group for March 2016 (preliminary PPA) and the effect of a lower base in Q2'15 arising from the adjustment of the life-time of the Plus trademark
- Technical costs influenced by growing IC costs
- Increase in the cost of equipment sold caused by a higher unit cost of sold equipment, while the total volume of sales declined
- Content costs have been affected by higher costs of internal and external production, as well as higher costs of depreciation of sports licenses

Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

Note: (1) On the assumption that the value of frequencies as at 01.01.2015 is equivalent to the value of the frequencies estimated in the preliminary PPA as at 29.02.2016



Pro-forma cash flow statement in H1'16



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

Note: (1) excluding expenditures on set-top-boxes leased to customers

(2) cost of purchase of 2.6GHz bandwidth in the LTE auction (PLN 155.75m) net of non-cash settlement of purchase (PLN 8.0m deducted from the auction deposit)

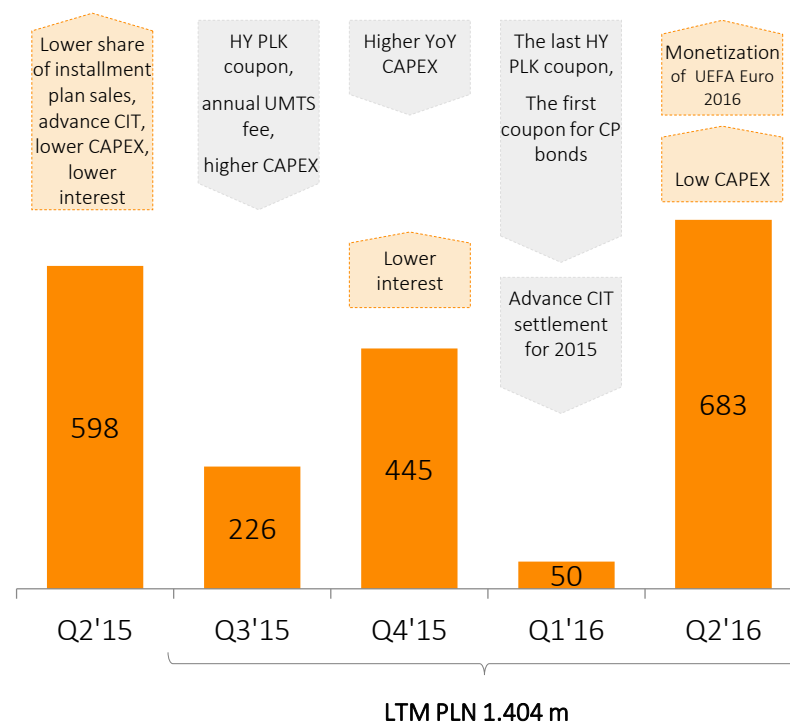


Reconciliation of FCF pro-forma after interest



mPLN	Q2'16	H1'16
Net cash from operating activities	929	1,376
Net cash used in investing activities	-840	-865
Payment of interest on loans, borrowings and bonds ⁽¹⁾	-125	-595
FCF after interest	-36	-84
Acquisition of Midas Group (including cash)	408	145
Acquisition of Midas bonds	324	324
FCF of Midas Group in January-February 2016		105
One-off payment for the purchase of the 2.6 GHz band		156
Call option for the early redemption of HY PLK bonds		262
Effect of cash settlement of hedging transactions for nominal HY PLK bonds		-175
Short-term deposits	-12	
Adjusted FCF after interest	683	733

Adjusted FCF after interest⁽²⁾



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas S.A., consolidated financial statements and internal analysis

Note: (1) Includes the impact of the instruments IRS / CIRS / forward

(2) FCF results for 2015 have been adjusted backwards by taking into account the FCF results of Midas Group



The Group's debt as at 30 June 2016



mPLN	Carrying amount as at 30 June 2016
Combined Term Facility	11,002
Revolving Facility Loan	-
Series A Notes	1,017
Zero-coupon Litenite Notes	820
Leasing and other	30
Gross debt	12,869
Cash and cash equivalents ¹	(955)
Net debt	11,914
EBITDA LTM	3,593
Net debt / EBITDA LTM according to SFA²	3.09
Total net debt / EBITDA LTM	3.32

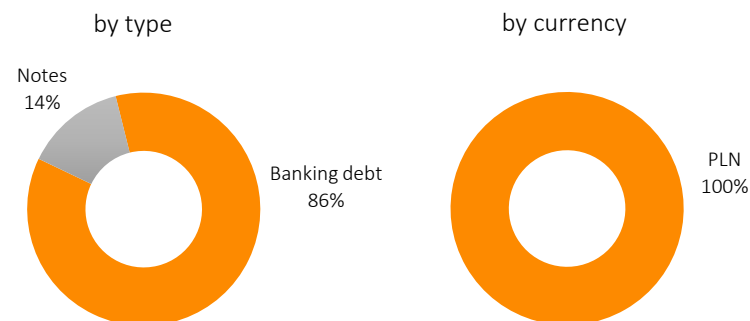
¹ This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits

² Net leverage according to SFA definition, i.e. excluding non-cash serviced debt

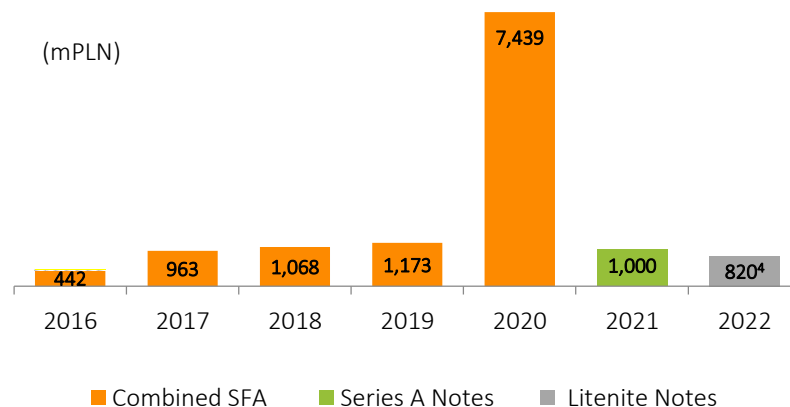
³ Nominal value of the indebtedness as at 30 June 2016 (excluding the Revolving Facility Loan)

⁴ Liabilities related to the Litenite Notes as at 30 June 2016

Our debt structure²



Our debt maturing profile³



Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis



4. Summary and Q&A



Summary



Financial success of the investments in UEFA EURO 2016



Solid operating and financial results



Strong FCF supports fast deleveraging of the Group

5. Additional information

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5.1 Reported financial results of Polsat Group

Consolidation of Midas Group from 29 February 2016

Financial results of Polsat Group in Q2'16



mPLN	Q2'16	YoY change
Revenue	2.443	-1%
Operating costs ⁽¹⁾	1.515	1%
EBITDA	935	-4%
EBITDA margin	38.3%	-1.3pp
Net profit	231	-24%

- The Group's performance is affected by the consolidation of Midas Group results as of 29 February 2016
- Cost level affected by higher content costs and costs of equipment sold
- Net profit affected by the recognition of depreciation of telecommunication licenses held by Midas Group and lower finance costs

Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



Results of the segment of services to individual and business customers in Q2'16



mPLN	Q2'16	YoY change
Revenue	2,072	-5%
Operating costs ⁽¹⁾	1,325	-1%
EBITDA	754	-11%
EBITDA margin	36.4%	-2.5pp

- Level of revenue under the influence of lower wholesale and retail revenue and higher sales of equipment
- The cost level mainly affected by higher technical costs and IC settlements, resulting in EBITDA of PLN 754m

Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



Results of the broadcasting and TV production segment in Q2'16



mPLN	Q2'16	YoY change
Revenue	451	30%
Operating costs ⁽¹⁾	270	27%
EBITDA	181	35%
EBITDA margin	40.1%	1.5pp

- Higher revenue growth vs costs, i.a. due to the financial success of UEFA EURO 2016

Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis

Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

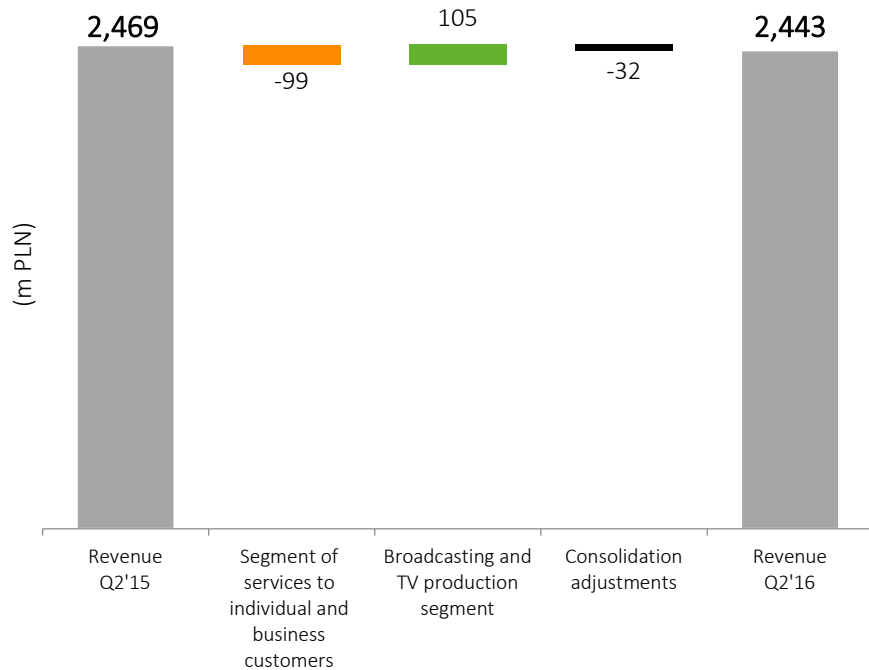


Revenue and costs – change drivers in Q2'16



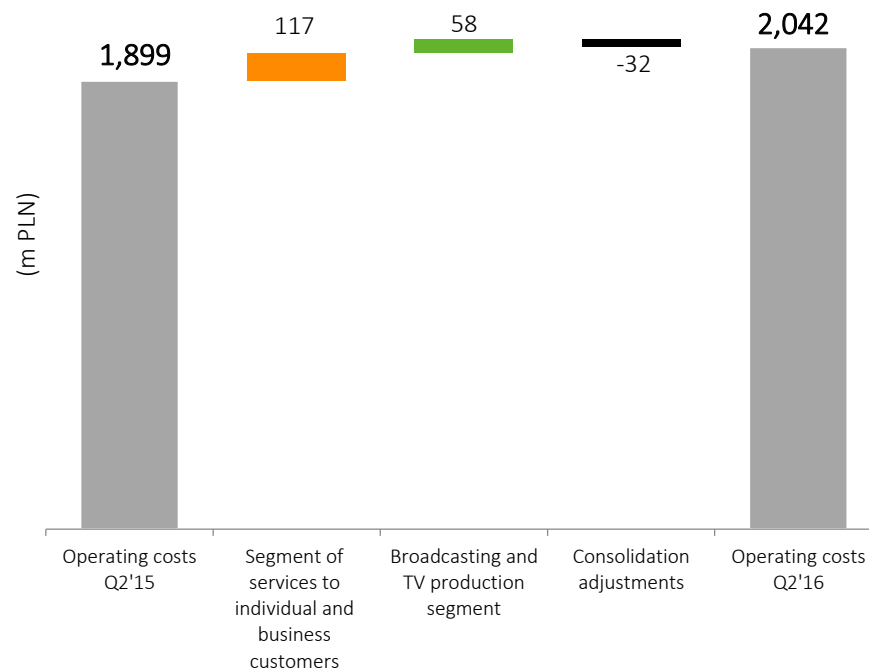
Revenue

YoY change **-1%**
-26 m



Operating costs

YoY change **+8%**
+143 m



Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis



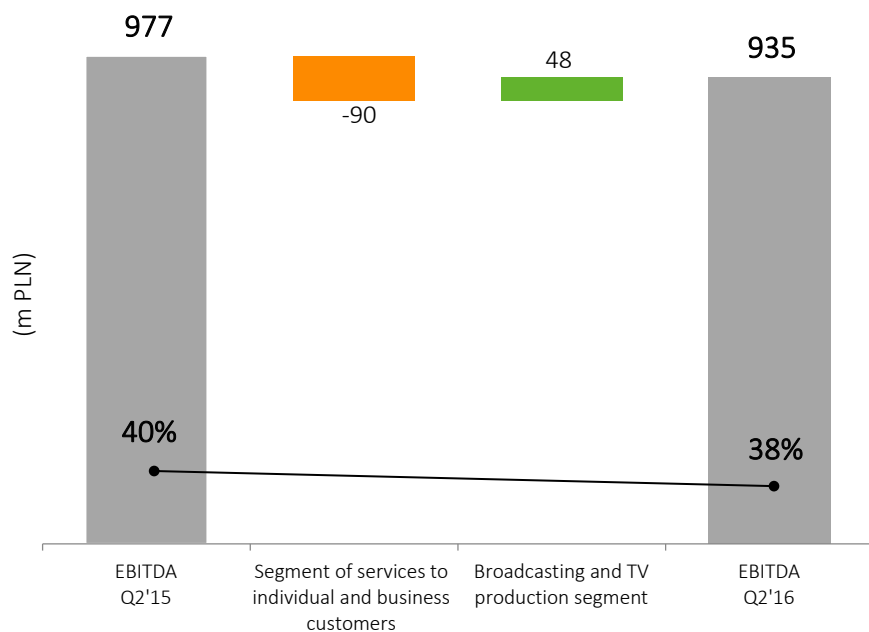
EBITDA and net profit – change drivers in Q2'16



EBITDA

YoY change

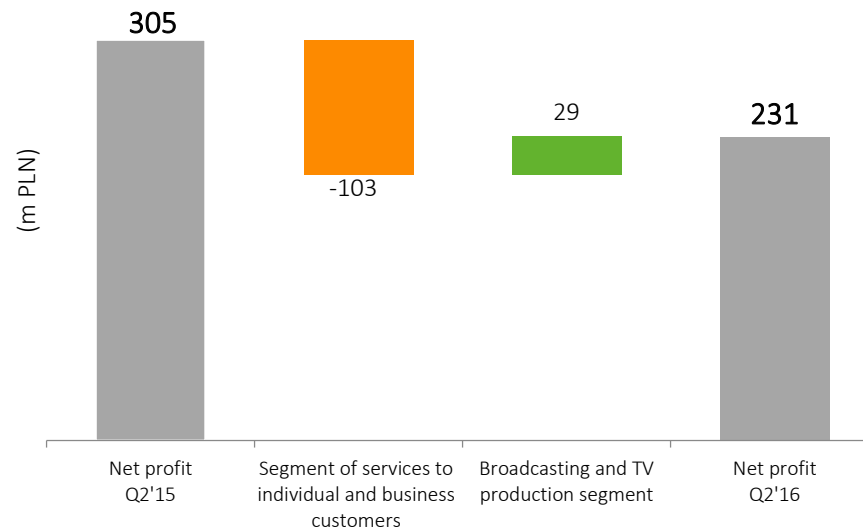
-4%
-42 m



Net profit

YoY change

-24%
-74 m

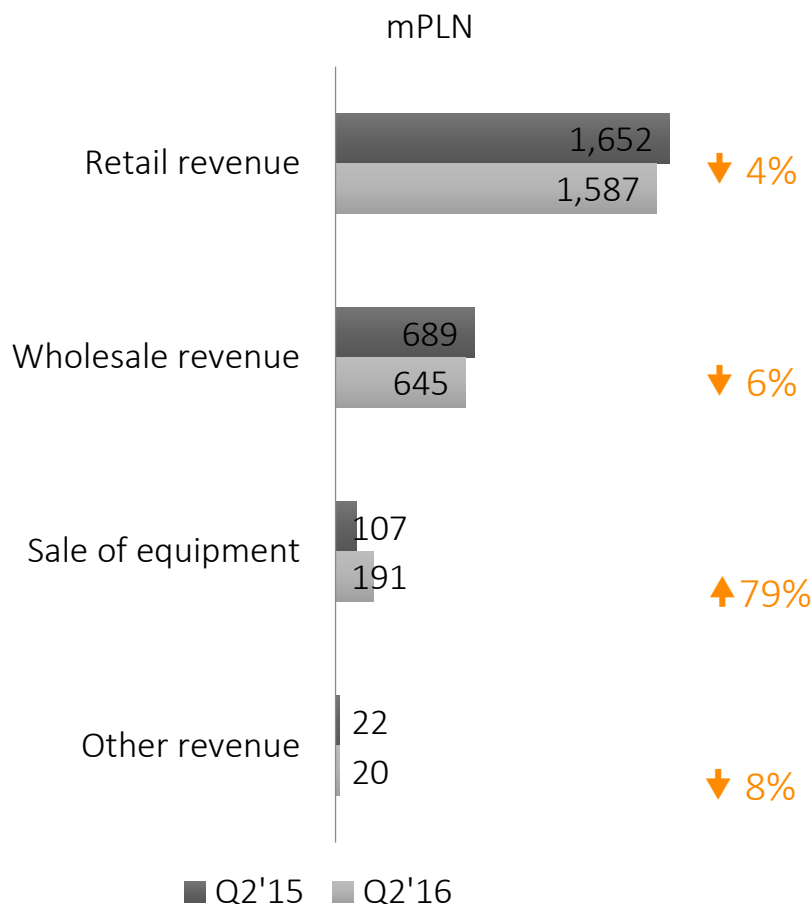


●—● EBITDA Margin

Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis

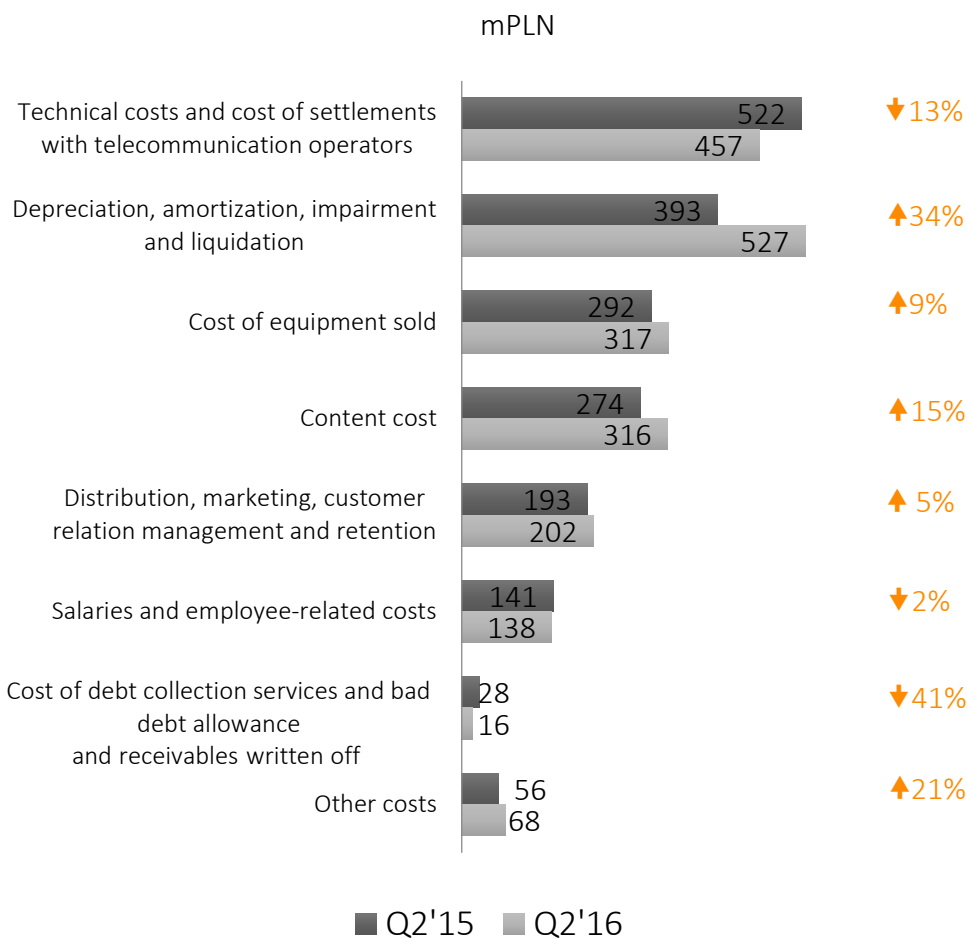


Revenue structure in Q2'16



- Lower retail revenue primarily due to lower revenue from voice services caused by a highly competitive market, which was partially compensated by higher revenue from pay TV services, in particular due to the retail sale of packages dedicated to UEFA EURO 2016, as well as growing revenue from the mobile Internet access service and data transmission
- Decrease in wholesale revenue mainly due to the recognition in Q2'15 in this item of revenue from the lease of telecommunication infrastructure to Midas Group, which is subject to elimination in Q2'16 as the result of the acquisition of Midas Group
- Higher revenue from equipment sales is the outcome of gradually growing installment plan sales, lower subsidies, as well as the optimization of stock levels

Operating costs structure in Q2'16



- Level of technical costs primarily due to the effect of the elimination during consolidation of growing costs of data within our broadband Internet access service in connection with the acquisition of Midas Group. In the comparative period the aforementioned costs of traffic were payable to Midas Group
- Higher depreciation and amortization expenses primarily as the result of the recognition of depreciation costs of telecommunications licenses, which belong to Midas Group, due to the valuation of those licenses during the preliminary purchase price allocation process related to the acquisition of Midas Group
- Increase in cost of equipment sold caused by a higher unit cost of sold equipment, while the total volume of sales declined
- Content costs have been affected by higher costs of internal and external production, as well higher costs of depreciation of sports licenses

Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis



Items below the EBITDA level in Q2'16



Source: Interim condensed consolidated financial statements for the 6 month period ended 30 June 2016 and internal analysis

Glossary



RGU (Revenue Generating Unit)

Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.

Customer

Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a **contract model**.

Contract ARPU

Average monthly revenue per **Customer** generated in a given settlement period (including interconnect revenue).

Prepaid ARPU

Average monthly revenue per **prepaid RGU** generated in a given settlement period (including interconnect revenue).

Churn

Termination of the contract with **Customer** by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model.

Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.

Usage definition (90-day for prepaid RGU)

Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero 2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.



Contact

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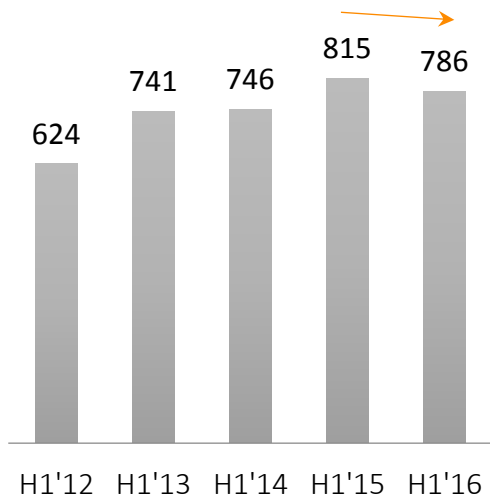


Backup



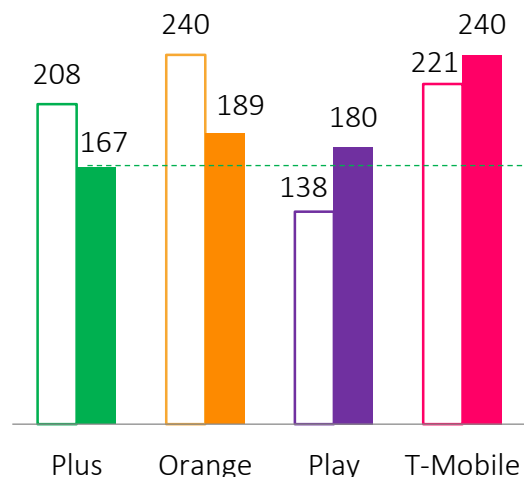
Best MNP result in the last 7 years

Decreasing volume of SIM card migration on the market



Plus with the lowest MNP churn on the market

(H1'15 vs H1'16)



Number portability to/from Plus network (thou.)

