



Financial results

Q1 2015

14 May 2015

Cyfrowy Polsat S.A. Capital Group



Disclaimer



This presentation includes 'forward-looking statements'. All statements other than statements of historical facts included in this presentation, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements speak only as at the date of this presentation. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial position, business strategy, plans and objectives of management for future operations may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if our financial position, business strategy, plans and objectives of management for future operations are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods. We do not undertake any obligation to review or to confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise after the date of this presentation.

As consolidation of the results of Metelem Holding Company Limited, the company indirectly controlling Polkomtel, started from 7 May 2014, the Company has decided to adjust the method of presentation of its operational data so as to align it with the new structure and mode of operation of our Group. The presentation contains the new set of key performance indicators (KPI's), covering our operations in the fields of telecommunications and pay TV. The operational indicators from before that period are only of informational nature and they demonstrate the impact that Metelem Group's operational performance, Polkomtel's results in particular, would have the Group's operational results, had Metelem Group been part of Polsat Group during these periods. The KPI's are illustrative only and due to their nature they only present a hypothetical situation, hence they do not present the Group's actual operational results for specific periods.



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1. Keystone events

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Tomasz Gillner-Gorywoda

President of the Management Board, CEO



Key facts in Q1'15



6.1m
contract customers

2.04 RGU
per customer
PLN 85.8 ARPU
per customer

24.0%
audience share

16.4m RGU
12.4m contract services
4.0m prepaid services

 **10.3m** telephony
 **4.5m** pay TV
 **1.6m** Internet

25.3%
ad market share



Key facts in Q1'15



PLN 2,329m
Revenue

PLN 897m
EBITDA
38.5% EBITDA margin

PLN 86/1,116m
FCF (Q1'15/LTM)

3.2x
Net debt/EBITDA



Key events



Products and services

- Launch of LTE800 network: over 90% of Poles live within the coverage area of Plus's and Cyfrowy Polsat's LTE network
- HD Voice technology offered by Plus is available all over Poland
- New communication platform for Plus's products
- Success of POLSAT TV's spring programming – POLSAT is the viewership leader

Corporate matters

- Discontinuation of active participation in the 800 MHz spectrum auction
- Early repayment of PLN 600 million under SFA PLK
- Preliminary analyses related to the refinancing of the entire debt
- Acquisition of Teleaudio Dwa, the leader in Premium Rate services, and InterPhone Service – the manufacturer of telecommunication and electronic equipment



2. Operations Report





2.1 Services to individual and business customers

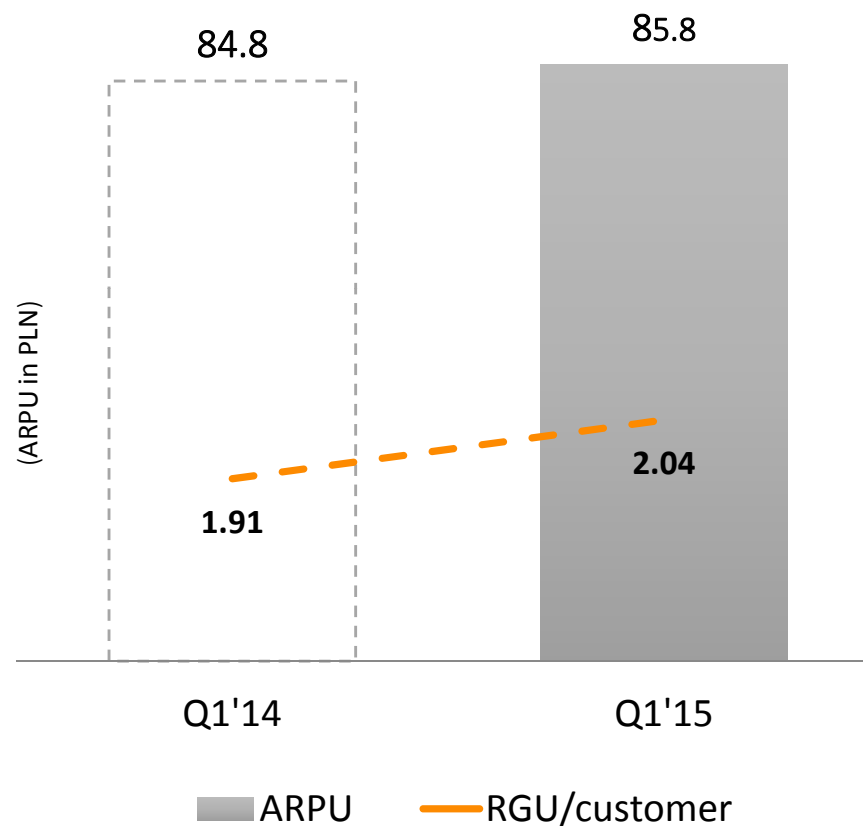
Tomasz Gillner-Gorywoda
President of the Management Board, CEO



Effective execution of the strategy



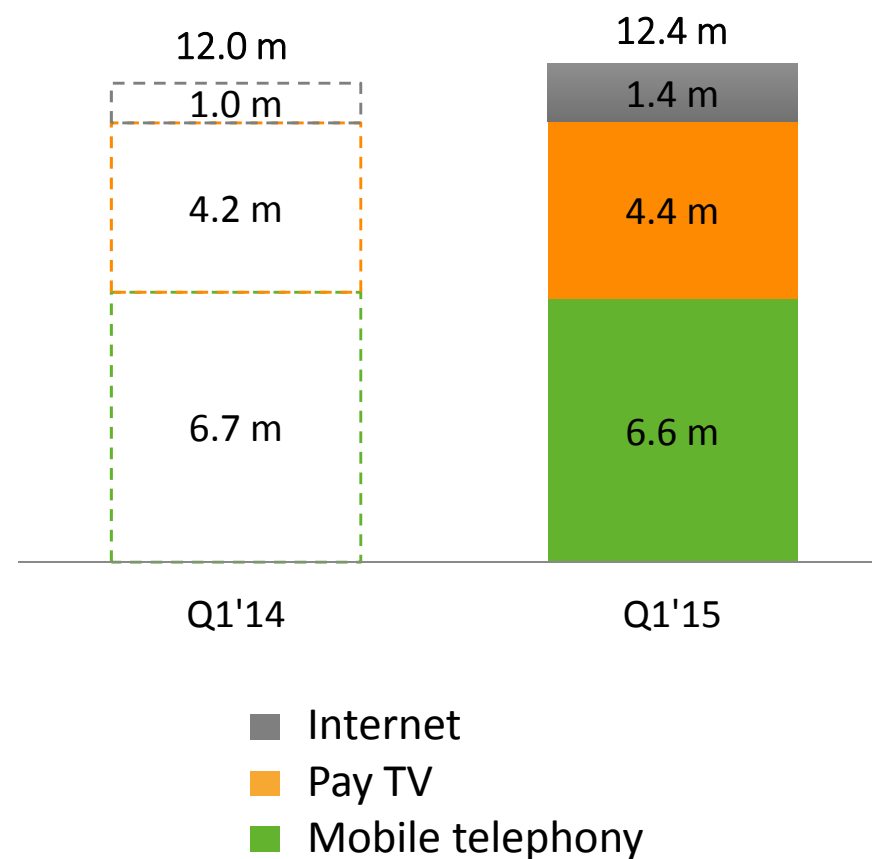
- Customer base remains at a stable level of 6.1m
- Low churn ratio of 9.5%
- Consistent execution of the strategy resulting in an increase in the saturation of the customer base with contract services
- Stable growth of ARPU per the client by 1.2%



Stable growth of contract services

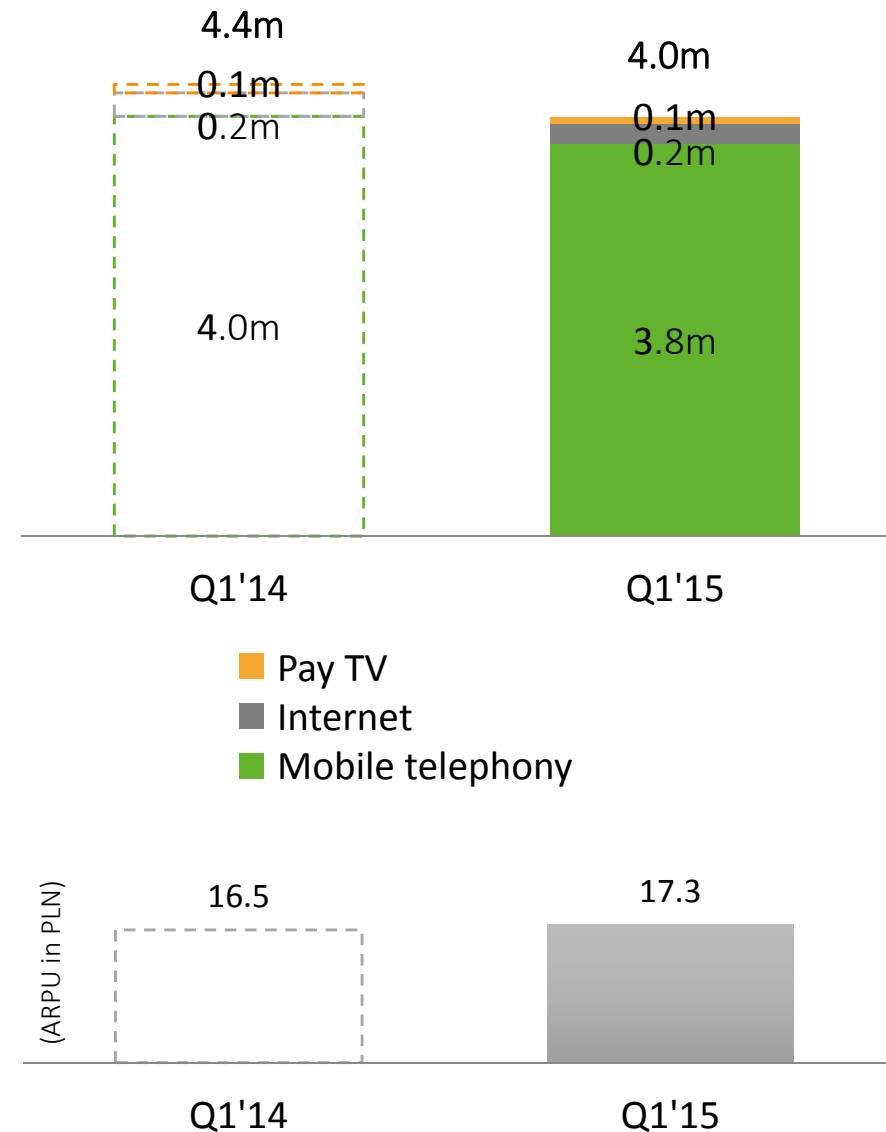


- Growth of the total base of contract services by 3.4%
- Organic growth of the number of mobile Internet access RGUs by 39.2% as a result of successful saturation of the customer base with integrated services
- Growth of the number of pay TV RGUs by 4.0% driven by continued demand for the Multiroom service
- Slight decrease of the number of mobile telephony RGUs, as a result of the market being highly competitive



Prepaid services

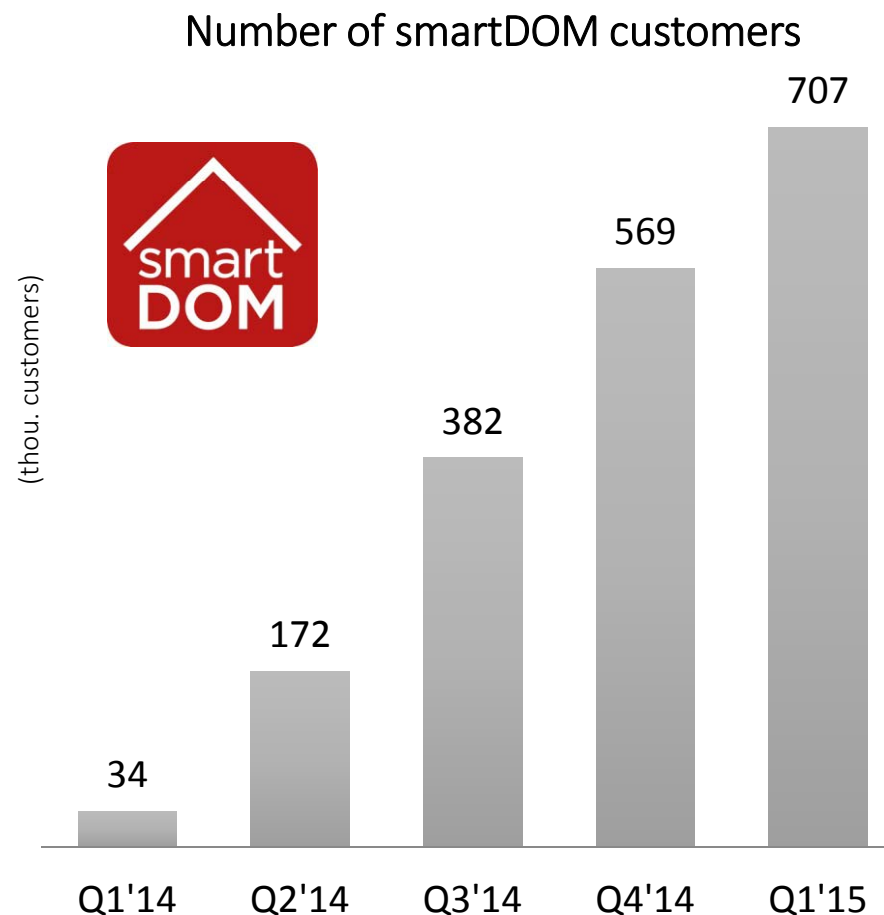
- ARPU grows at the pace of 4% YoY: in a environment of stable pricing in the segment, the growth of data consumption on smartphones positively reflected in the condition of ARPU
- RGU base of prepaid services is mainly affected by seasonal changes as well as by gradual migration of prepaid customers to postpaid contract tariffs, which is observed on the whole market



Success of our multiplay strategy



- Stable growth of the saturation of our customer base with integrated services
- 707K customers bought additional services from our smartDOM offer
- The number of RGUs owned by this group of customers is 2.17 million
- In Q1'15 alone the customers of smartDOM purchased 319K additional services

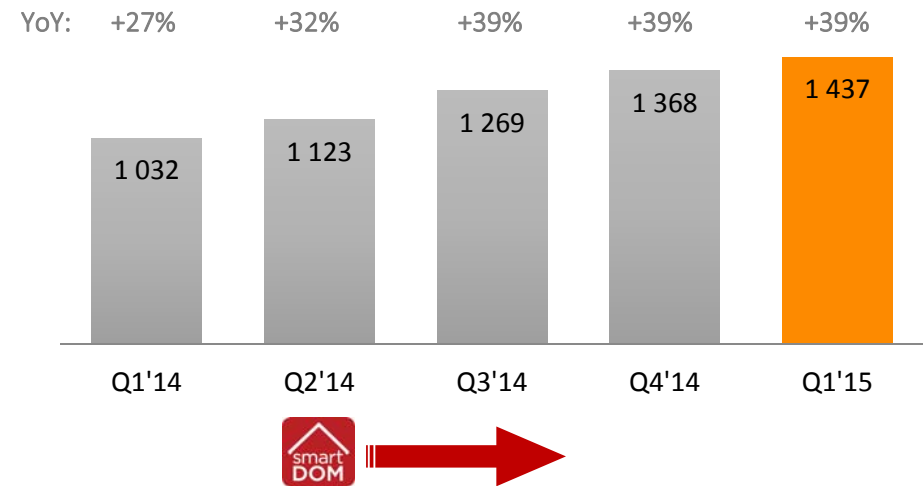


Dynamically growing base of mobile broadband and smartphone users

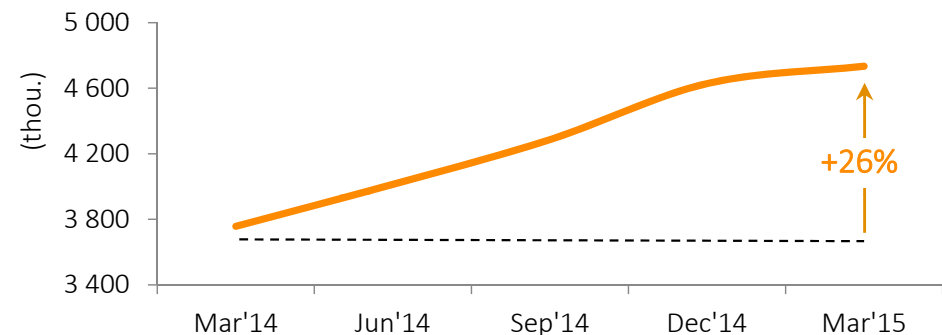


- The successive increase of our network coverage combined with an effective multiplay strategy enables us to maintain the rate of acquisition of new mobile Internet RGUs
- Continuous growth of the number of smartphone users – in Q1'15 smartphones accounted for around 85% of the total number of handsets sold
- As a result, in March 2015 data transmission services were actively used by 4.7 million SIMs logged onto our network
- Thanks to the rate per 1GB of data having been renegotiated down to PLN 2.4, we have substantially reduced the potential growth of data transmission-related costs

Growth of the base of contract Internet RGUs



Number of active data users ⁽¹⁾



Note: (1) Includes Internet access contract RGU's as well as other SIMs with data transfer exceeding 1MB in a given month

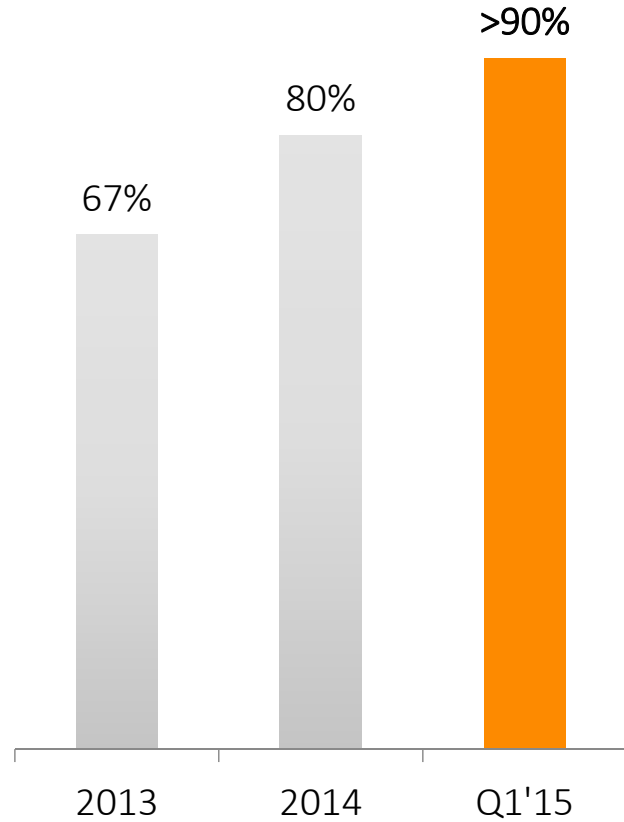


Launch of LTE 800 network led to rapid growth of LTE network coverage footprint

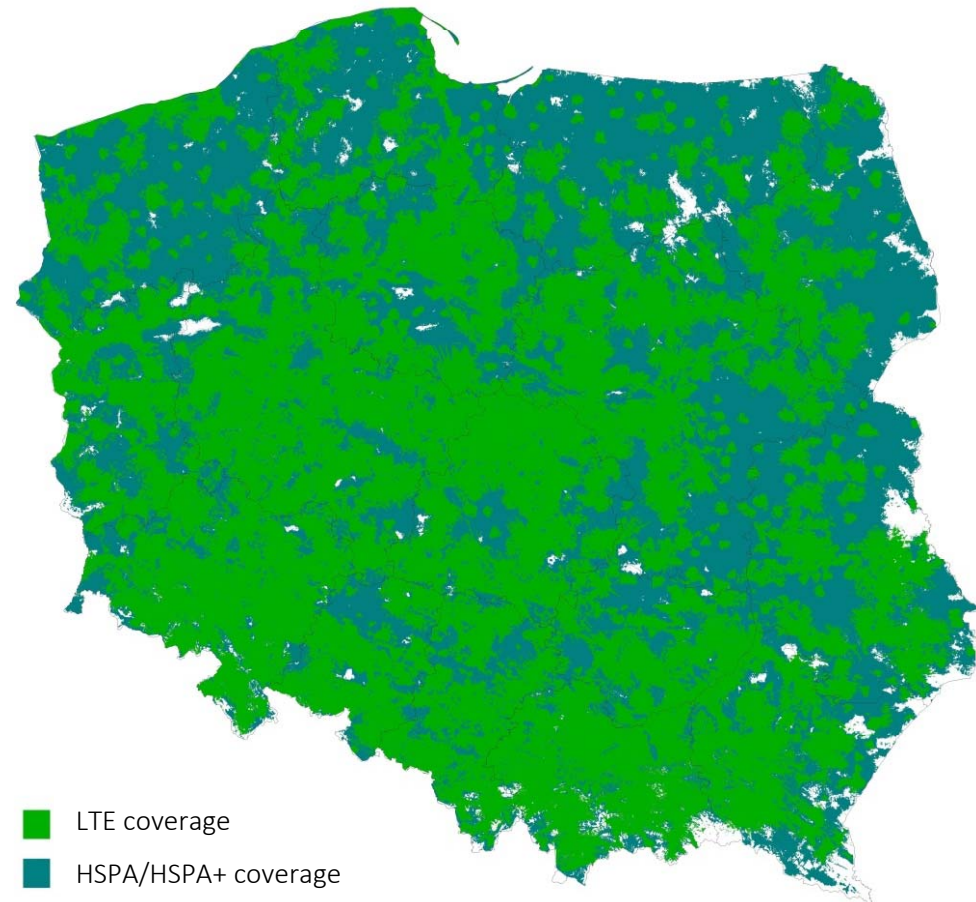


LTE/HSPA+ network coverage offered by Polsat Group

% of population coverage of LTE (EOP)



Present network coverage





2.2 Broadcasting and TV production segment

Maciej Stec
Member of the Management Board

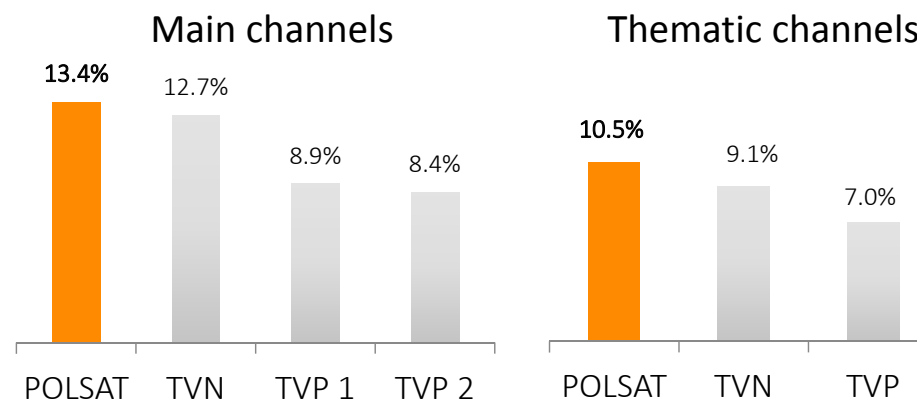


Viewership of our channels in Q1'15

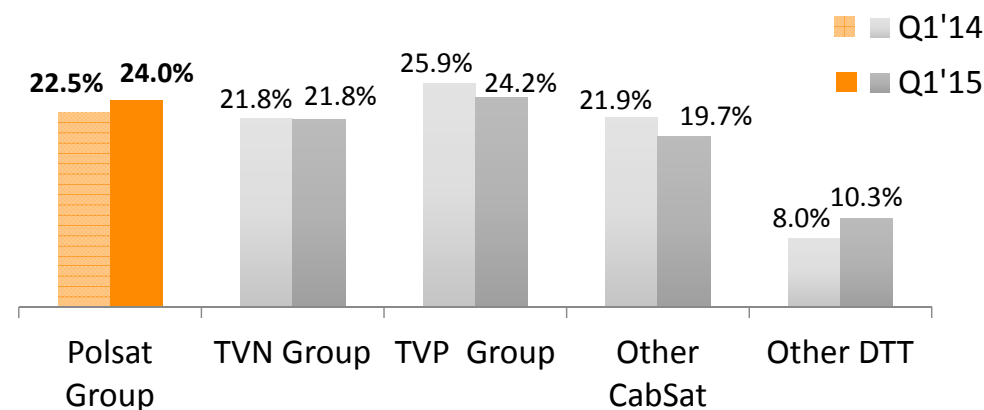


- Polsat's main channel is the unquestioned viewership leader in the commercial group
- As the only player Polsat Group recorded growth of viewership thanks to the success of the spring programming of both the main channel and thematic channels (mainly TV4 and TV6)

Audience shares



Dynamics of audience share results



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

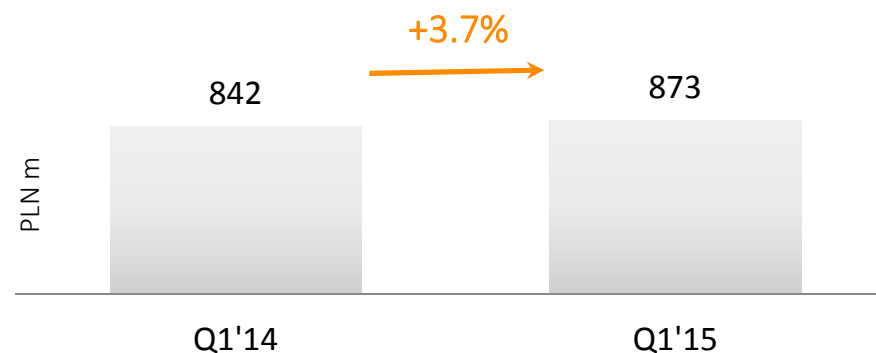


Position on the advertising market in Q1'15

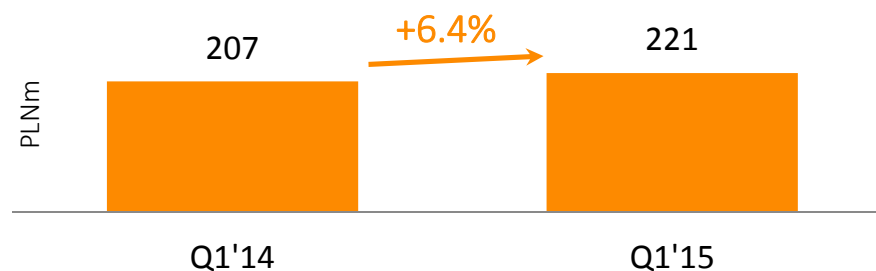


- TV advertising and sponsoring market in Q1'15 increased YoY by 3.7%
- Revenue from TV advertising and sponsoring of TV Polsat Group grew faster than the market
- Our share in the TV advertising market amounted to 25.3%

Market expenditures on TV advertising and sponsoring




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



Source: Starlink, airtime and sponsoring; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsoring of TV Polsat Group according to Starlink's definition



3. Financial results

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Tomasz Szelaąg

Member of the Management Board, CFO

Group's financial results



mPLN	Q1'15	YoY change
Revenue	2,329	222%
Operating costs ⁽¹⁾	1,441	224%
EBITDA	897	218%
EBITDA margin	38.5%	(0.5pp)
Net profit	171	74%

- Increase in major bottom-line items as a result of consolidation of Metelem Group's results effective from 7 May 2014

Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

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



Results of the segment of services to individual and business customers



mPLN	Q1'15	YoY change
Revenue	2,090	326%
Operating costs ⁽¹⁾	1,302	315%
EBITDA	796	340%
EBITDA margin	38.1%	1.2 pp
Net profit	307	928%

- Revenue growth of 6%, excluding the effect of consolidation of Metelem, primarily due to higher sales of telecommunication products and services
- Cost dynamics, excluding the impact of consolidation of Metelem, mainly driven by:
 - higher cost of data transmission, mainly due to the growth of the number of mobile Internet service users,
 - active sales of smartDOM offer implicating higher distribution, marketing, customer relation management and retention costs as well as higher cost of equipment sold

Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

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



Results of the broadcasting and TV production segment



mPLN	Q1'15	YoY change
Revenue	283	7%
Operating costs ⁽¹⁾	183	11%
EBITDA	100	0%
EBITDA margin	35.5%	(2.5 pp)
Net profit	81	3%

- Increase in revenue mainly due to the monetization of higher audience shares of TV4 and TV6 channels and the new Disco Polo Music channel – launched in May 2014
- Cost dynamics reflect additional investments in programming of the main channel and TV4 and TV6 channels

Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

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

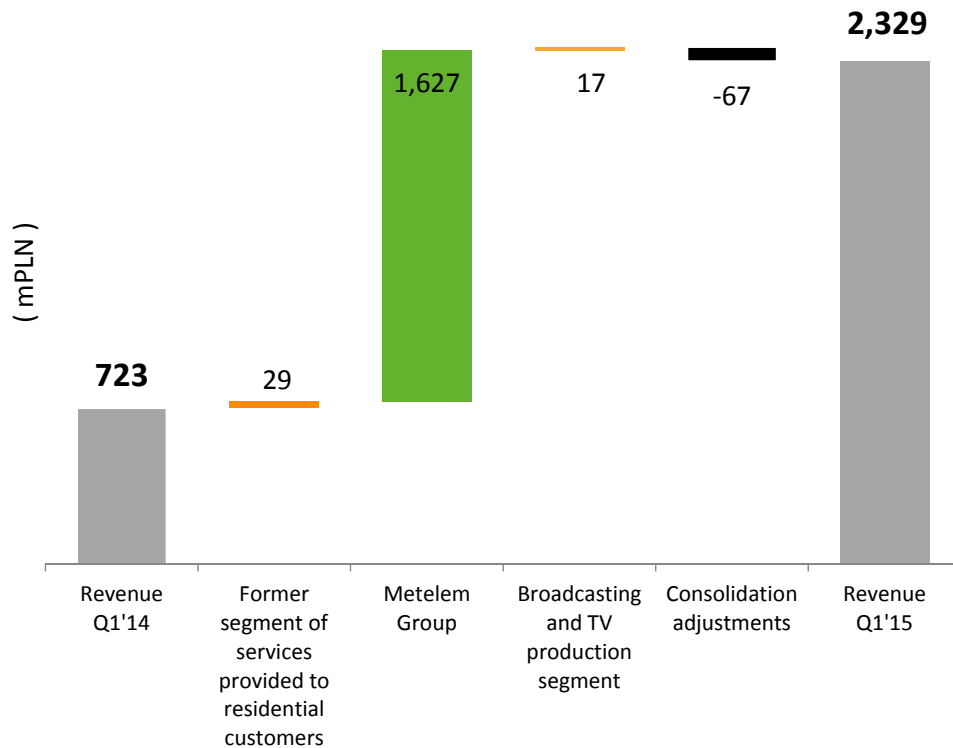


Revenue and costs – change drivers



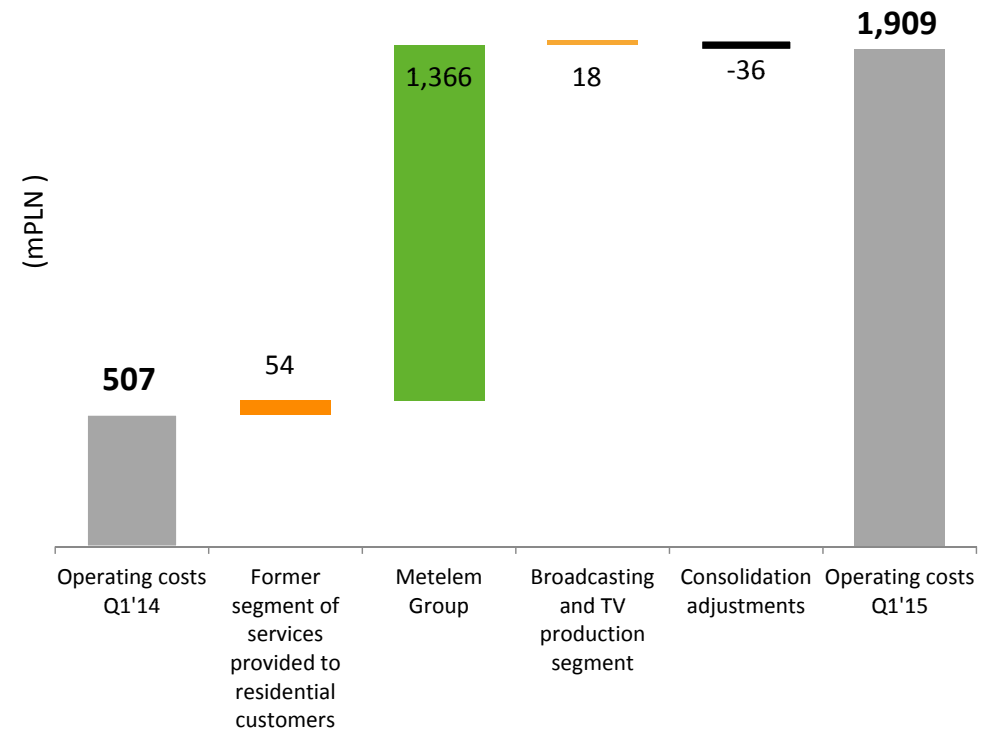
Revenue

YoY change **+222%**
+1.6 bn



Operating costs

YoY change **+276%**
+1.4 bn



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

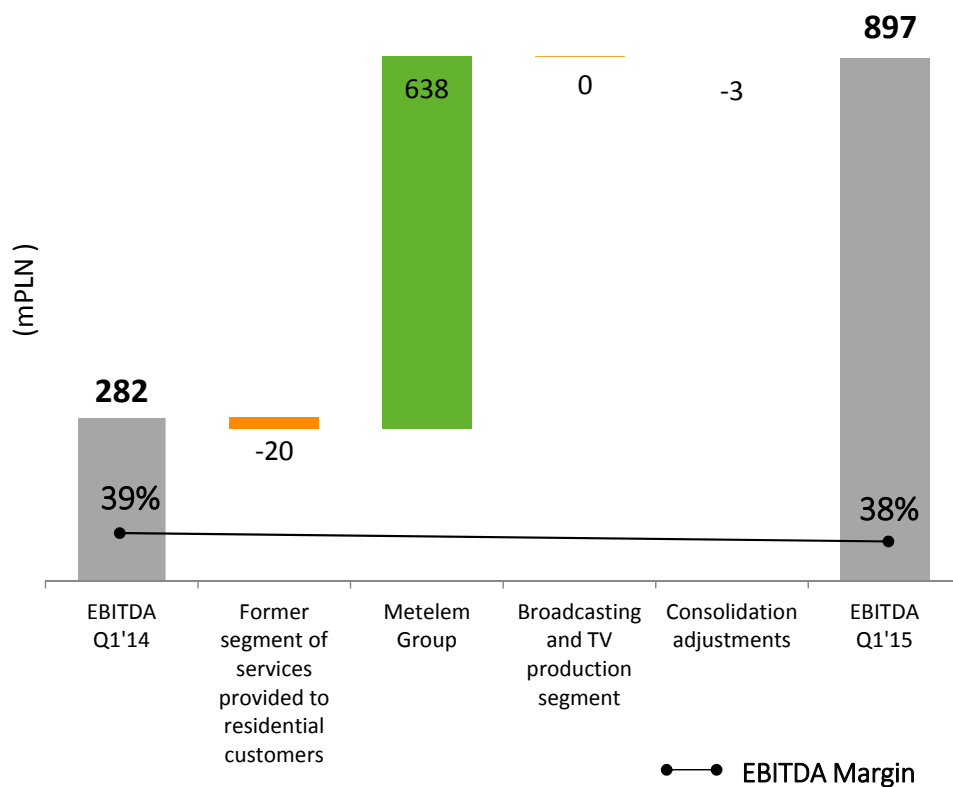


EBITDA and net profit – change drivers



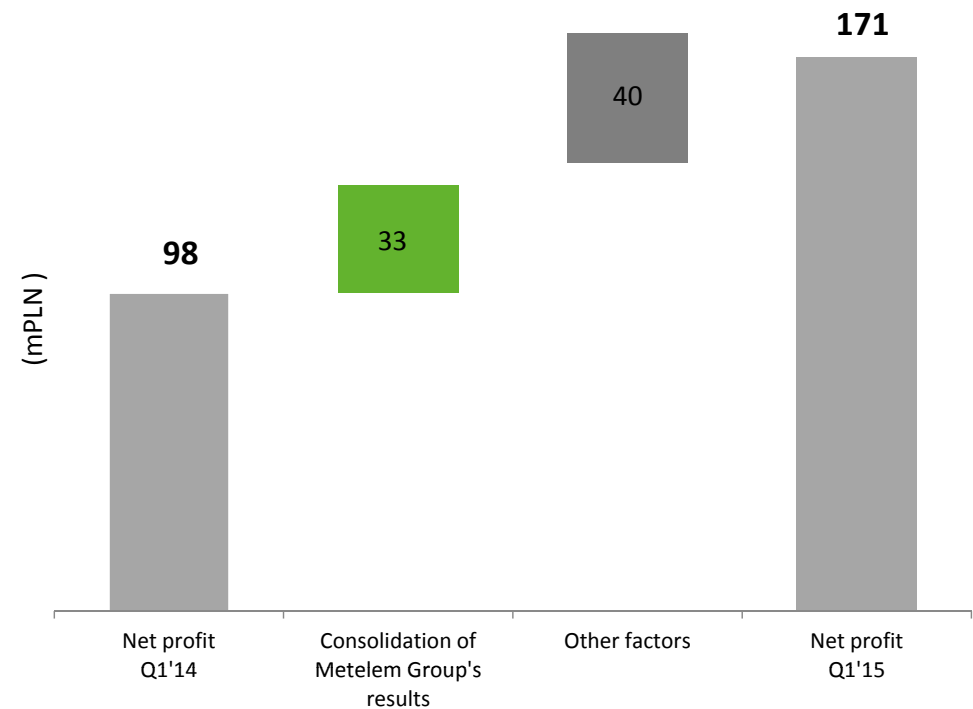
EBITDA

YoY change **+218%**
+615 m



Net profit

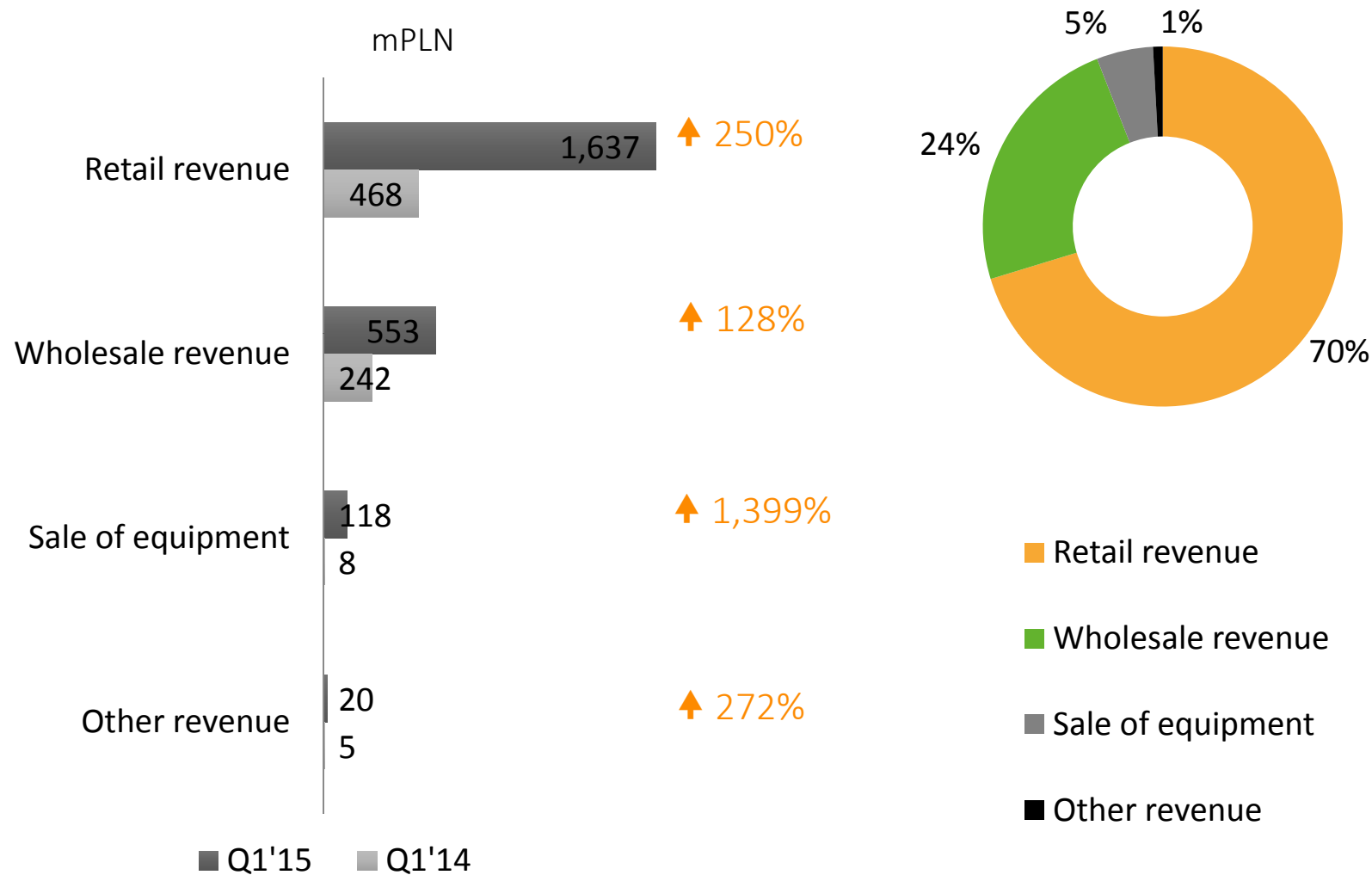
YoY change **+74%**
+73 m



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis



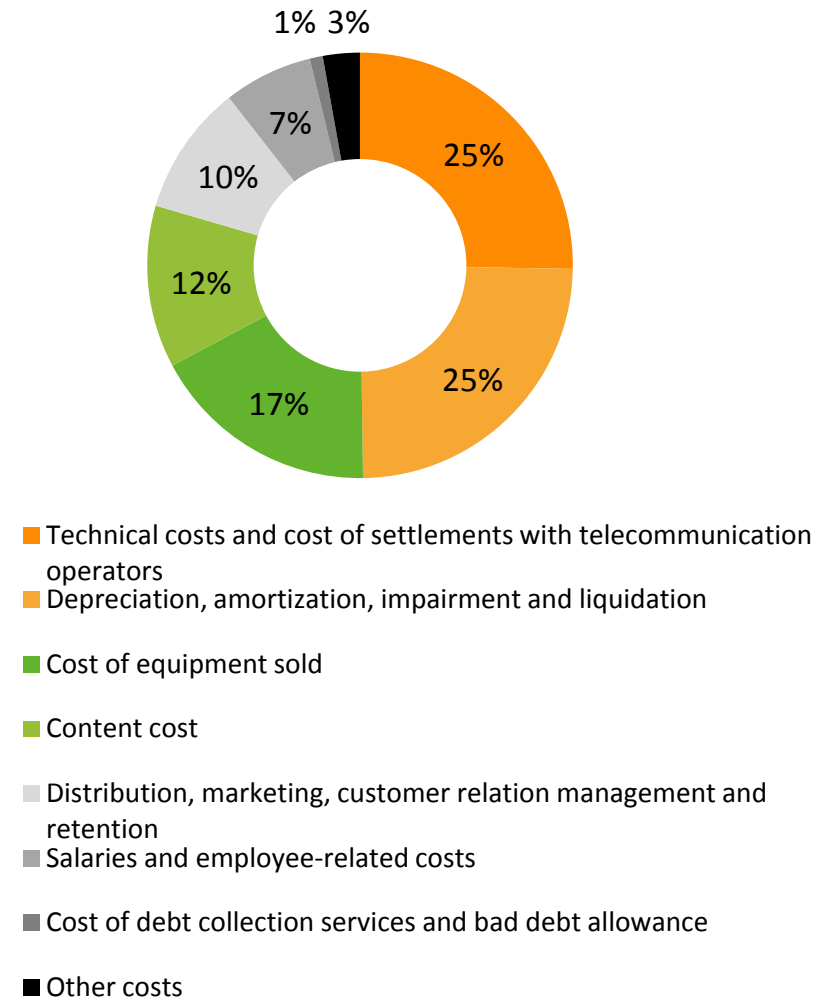
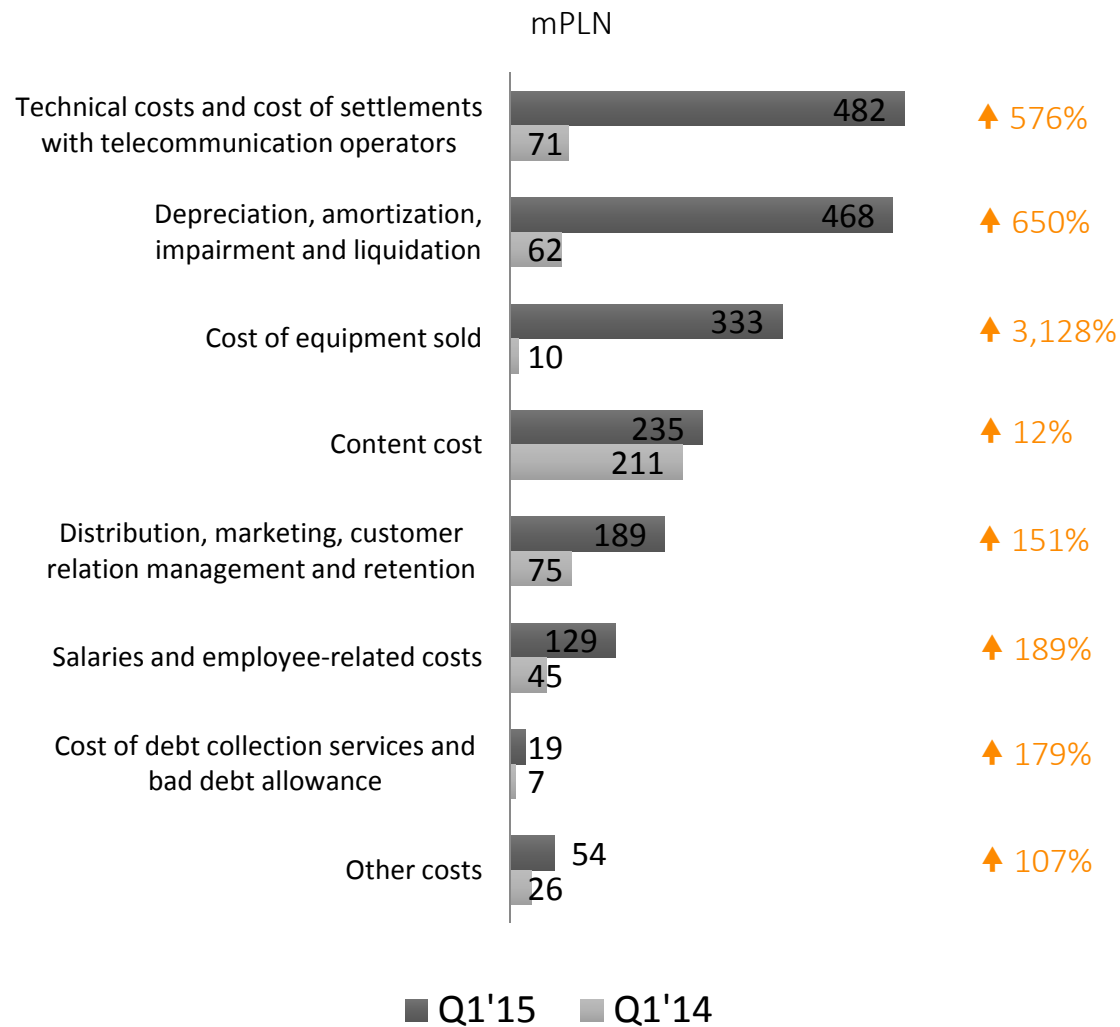
Revenue structure in Q1'15



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis



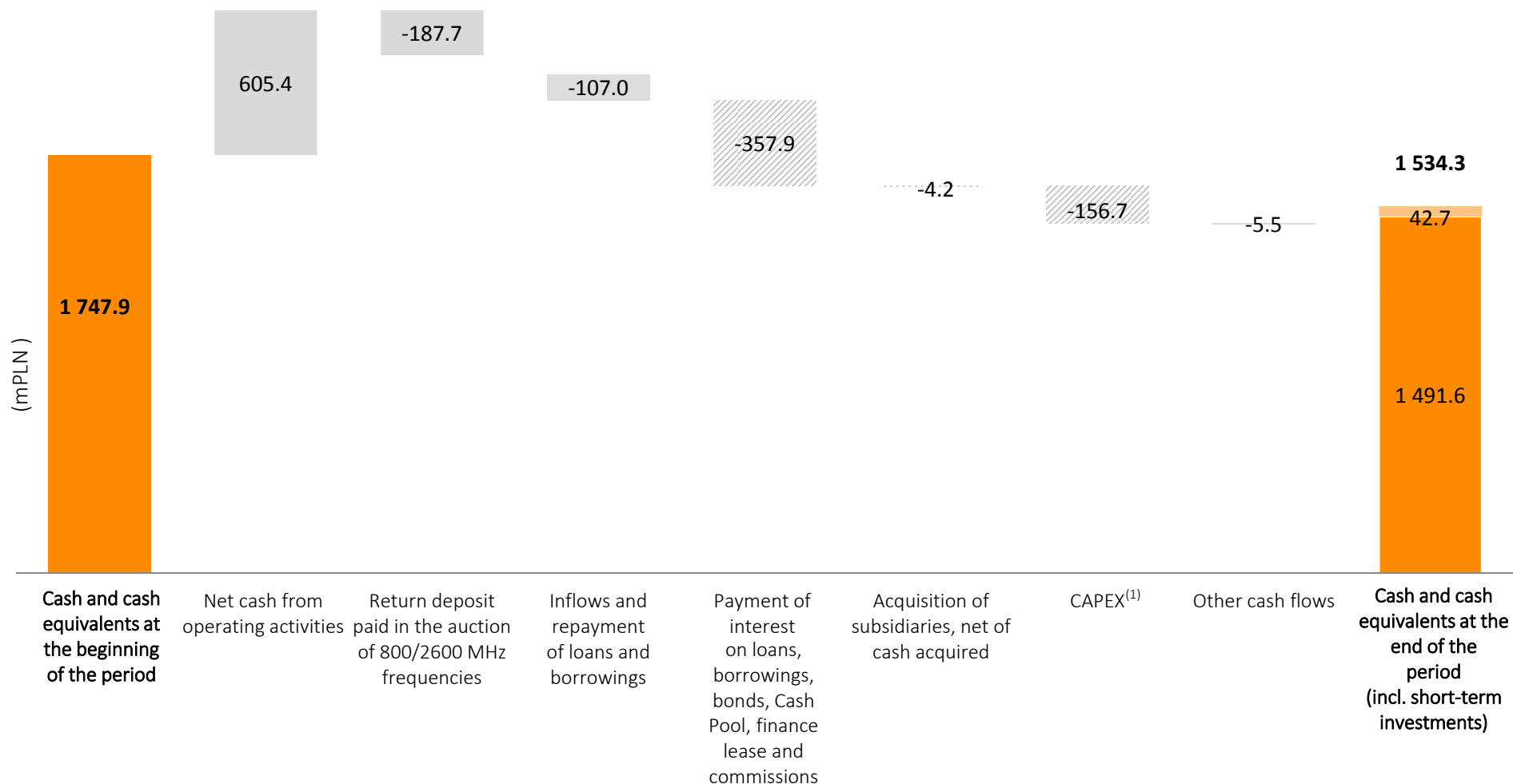
Operating costs structure in Q1'15



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis



Cashflow statement in Q1'15



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

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

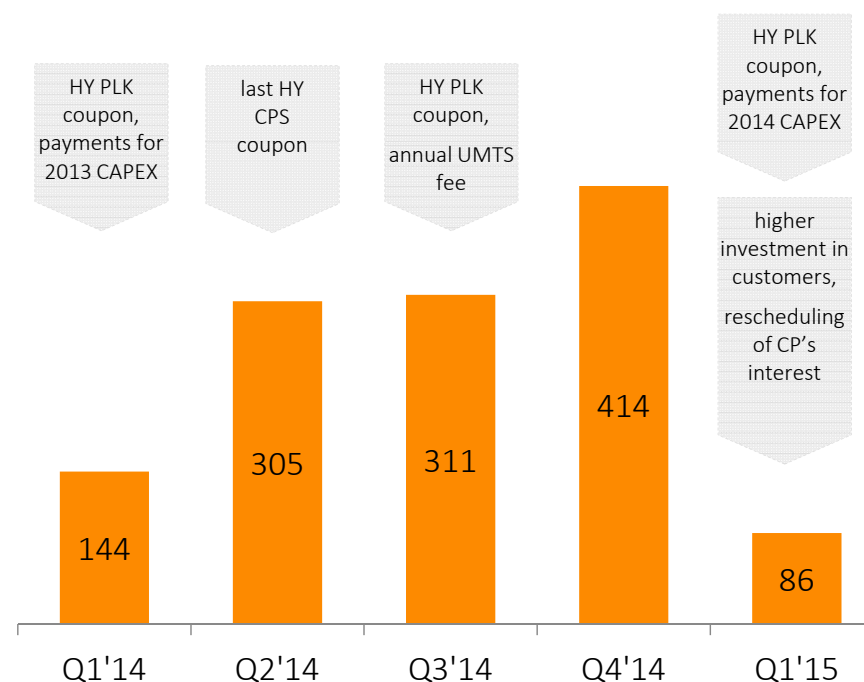


Reconciliation of FCF after interest



mPLN	Q1'15
Net cash from operating activities	418
Net cash used in investing activities	-208
Payment of interest on loans, bonds, Cash Pool ⁽¹⁾	-358
FCF after interest	(148)
Short-term deposits	43
Return deposit paid in the auction of 800/2600 MHz frequencies	188
Acquisition of subsidiaries	4
Adjusted FCF after interest	86

Adjusted FCF after interest
(2014 pro forma)⁽²⁾



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis
 Note: (1) Includes impact of hedging instruments, excludes early redemption costs and amounts paid for costs related to the new financing; (2) Adjusted for transitory VAT settlements



The Group's debt as at 31 March 2015



mPLN	Carrying amount	Nominal value
Term Loan (PLN)	2,238	2,273
Revolving Loan	50	50
PLK Loan – Tranche A (PLN)	1,938	1,944
PLK Loan – Tranche B (PLN)	3,078	3,096
PLK Loan – Tranche C (PLN)	1,599	1,610
PLK Revolving Loan	0	0
Senior Notes PLK EUR ¹	2,660	2,218
Senior Notes PLK USD ²	2,272	1,906
Leasing	16	16
Cash and cash equivalents ³	1,534	1,534
Net debt	12,316	11,579
EBITDA LTM, pro-forma ⁴	3,673	3,673
Net debt / EBITDA LTM	3.4x	3.2x

¹ Nominal value of PLK Senior Notes of EUR 542.5 m, as converted based on the average NBP exchange rate from 31 March 2015 of 4.0890 PLN/EUR. Carrying amount estimated to fair value at the moment of purchase of Metelem.

² Nominal value of PLK Senior Notes of PLK USD 500 m, as converted based on the average NBP exchange rate from 31 March 2015 of 3.8125 PLN/USD. Carrying amount estimated to fair value at the moment of purchase of Metelem.

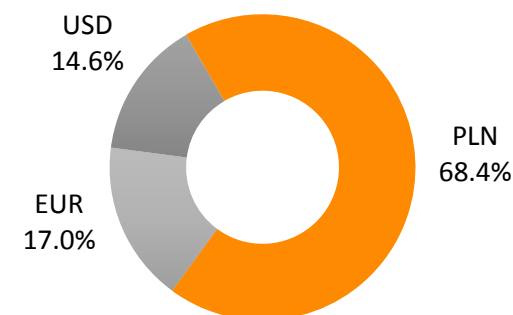
³ The item contains cash and cash equivalents, including restricted cash and short-term deposits.

⁴ EBITDA LTM, pro-forma, includes consolidated pro-forma EBITDA of Cyfrowy Polsat Group on the assumption of consolidation of Metelem Group's results during the period of past 12 full months

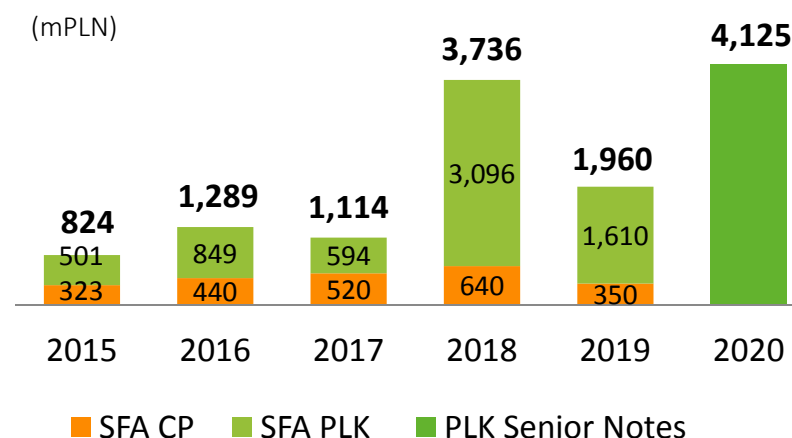
⁵ Nominal value of debt, excl. RCF

Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

Currency composition of our indebtedness⁵



Our debt maturing profile⁵

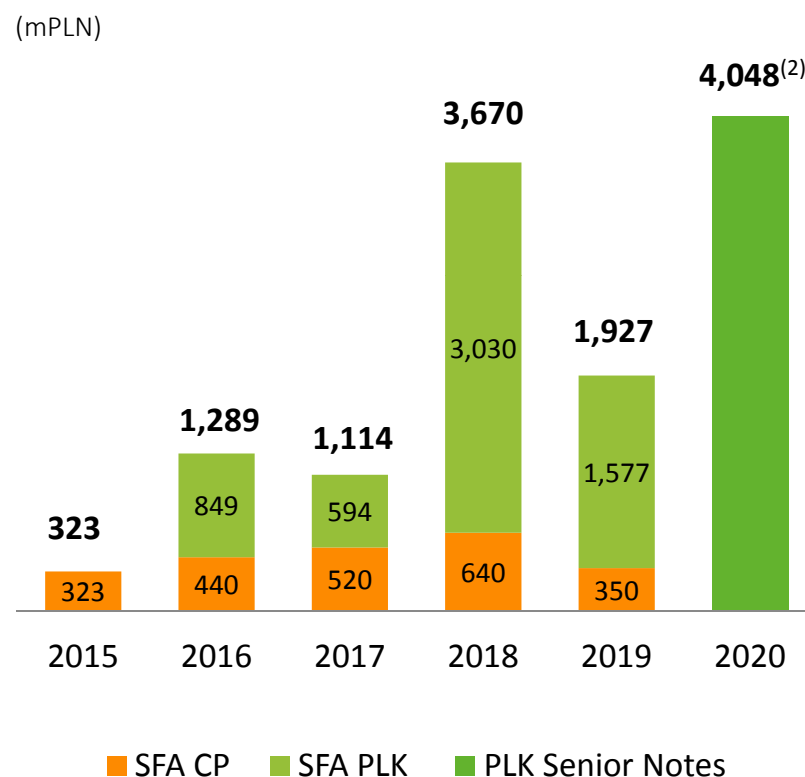


The Group's debt as at 12 May 2015



- Following an early prepayment of the PLK Term Loan in the amount of PLN 600 million on 13 April 2015, we present a corresponding chart as at 12 May 2015 (excluding the debt under the Revolving Facility Loan)

Our debt maturing profile⁽¹⁾



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 and internal analysis

Note: (1) Nominal value of debt, excl. RCF

(2) Equivalent of the nominal value of EUR 542.5m and USD 500m PLK Senior Notes calculated at the average foreign exchange rates of the Polish National Bank as at May 12, 2015 of PLN/EUR 4.1030 and PLN/USD 3.6447, respectively





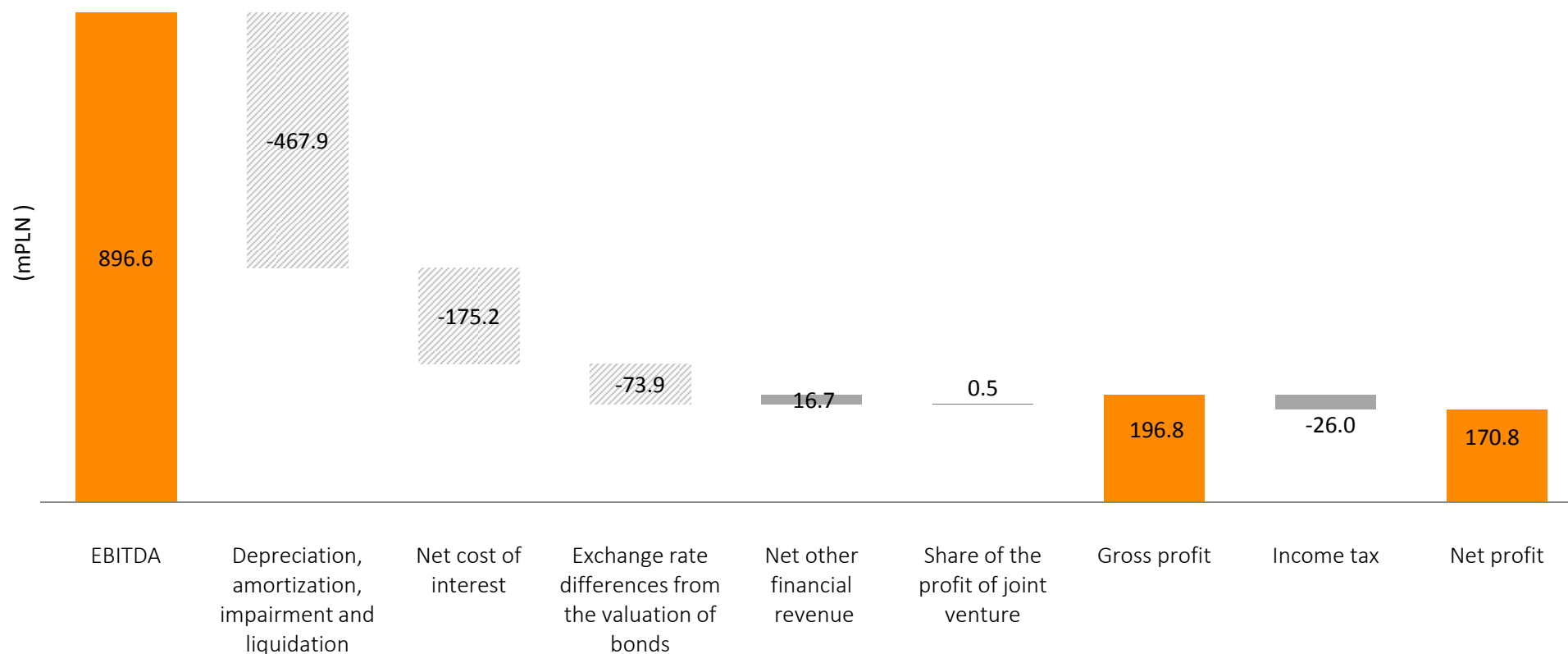
4. Q&A



5. Appendix



Items below the EBITDA level in Q1'15



Source: Consolidated financial statements for the 3 month period ended 31 March 2015 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 under the mobile telephony and Internet Access means 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 practice this means that within the last 90 days a given card had to be inserted to a phone or another device which was active and was able to make or receive call, message, data transmission session. 90-day usage definition thus eliminates inactive cards.

Based on the aforementioned definition each year UKE collects data of the mobile operators in Poland in order for the European Commission to prepare a comparison of actual penetration of mobile telecommunication services in the EU countries (the so-called Digital Agenda report).





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