



Financial results

Q1 2016

12 May 2016

Cyfrowy Polsat S.A. Capital Group



Contents



1. Implementing the smartDOM strategy
2. Operating results
3. Pro-forma financial results
4. Summary and Q&A

Key events



Acquisition of 93% of shares in Midas



New product for pay TV customers – Cyfrowy Polsat GO



Adding new sports channels to Cyfrowy Polsat's offer, namely HD Eleven and Eleven Sports



Many new, attractive telecommunication offers



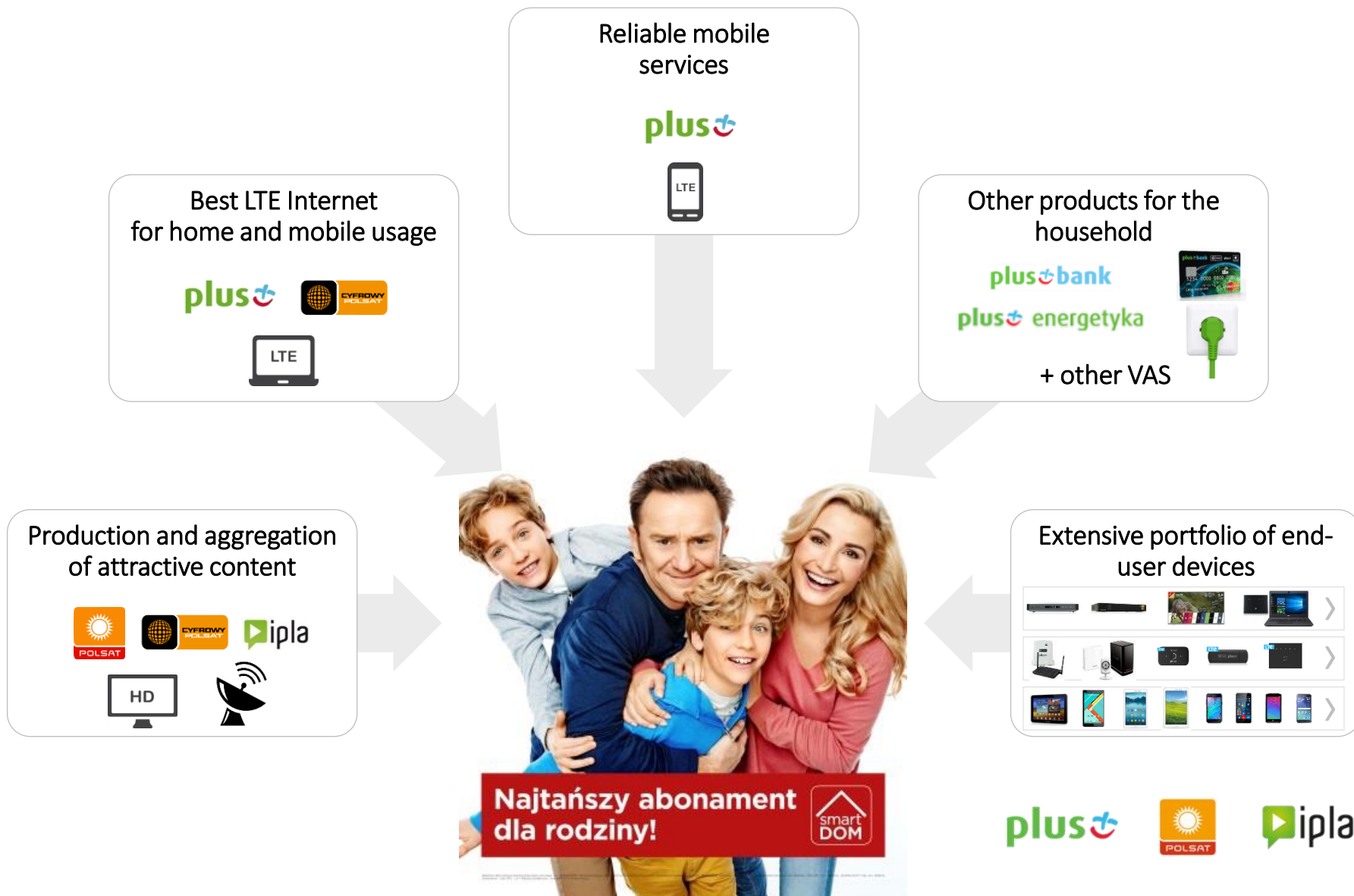
smartDOM – on-target sales results



1. Implementing the smartDOM strategy

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Unique market strategy



Effective implementation of the smartDOM strategy

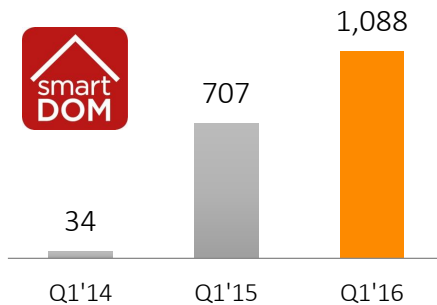


May'14
launch of smartDOM

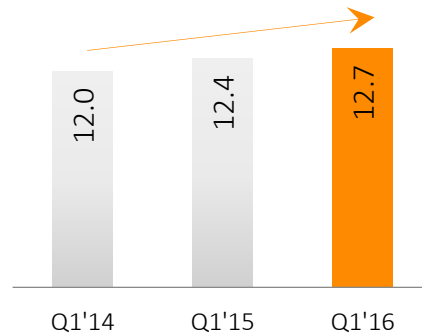
Growth in contract RGU base

Growth in ARPU

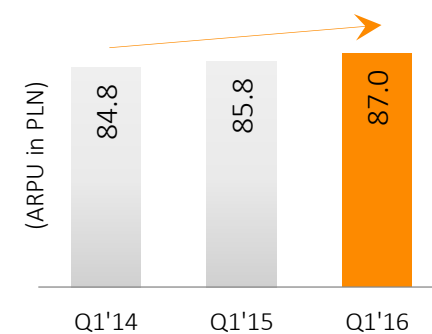
over 1 million multiplay customers
attracted in 2 years



contract RGU



contract ARPU



Anticipated decrease of churn – tangible effects expected from H2'16



2. Operating results



2.1 Broadcasting and TV production segment

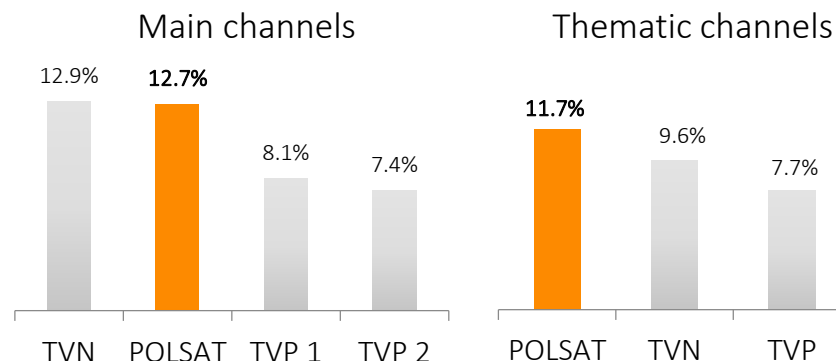


Viewership of our channels in Q1'16

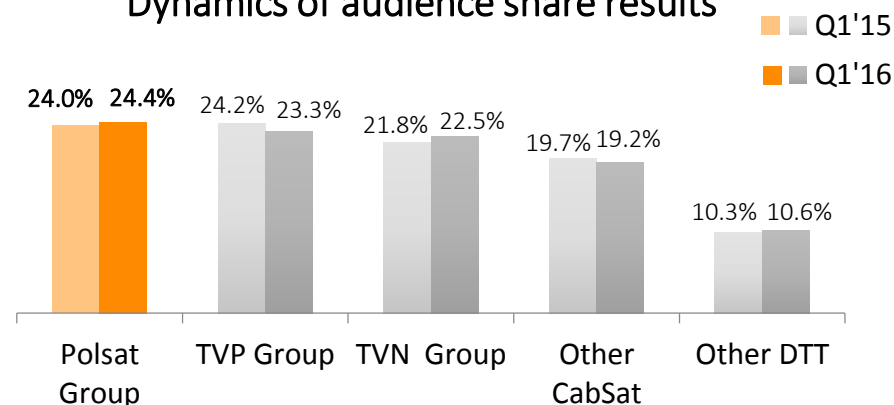


- Polsat Group – the viewership leader in the commercial group
- Excellent viewership figures of the spring schedule
- Very positive effect of programming investments made in TV4 and TV6 channels

Audience shares



Dynamics of audience share results



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

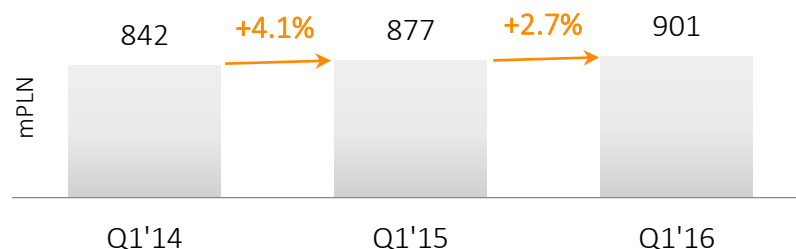


Position on the advertising market in Q1'16

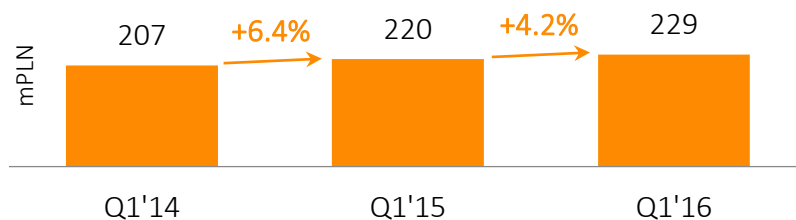


- TV advertising and sponsorship market in Q1'16 increased YoY by 2.7%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising and sponsoring market increased to 25.5%

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



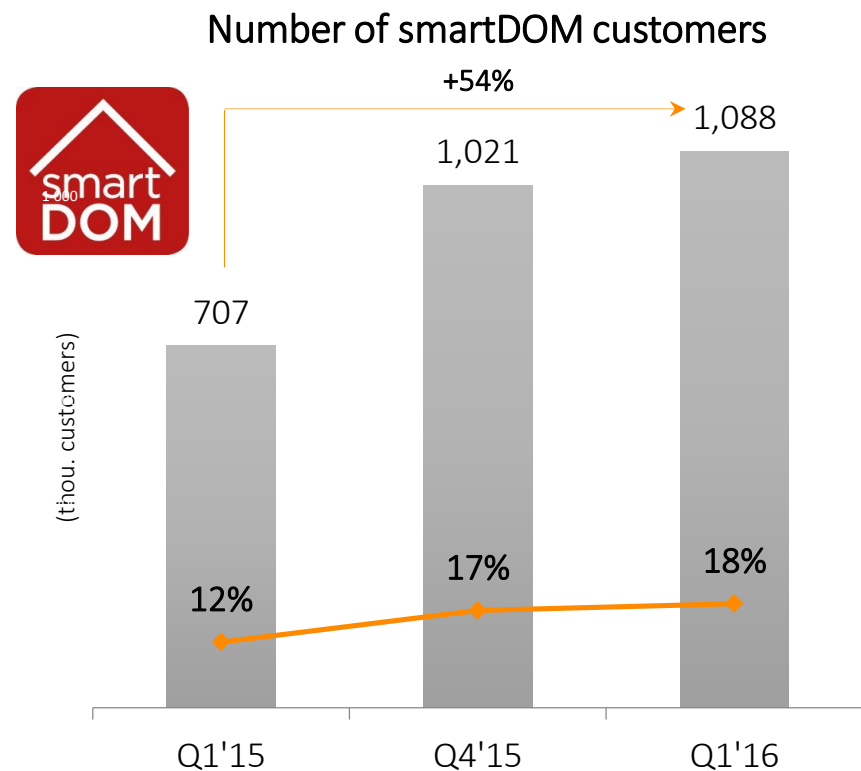
2.2 Services to individual and business customers



Dynamic growth of multiplay customers



- As many as 18% of our contract customers already use the multiplay 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



■ # of smartDOM customers

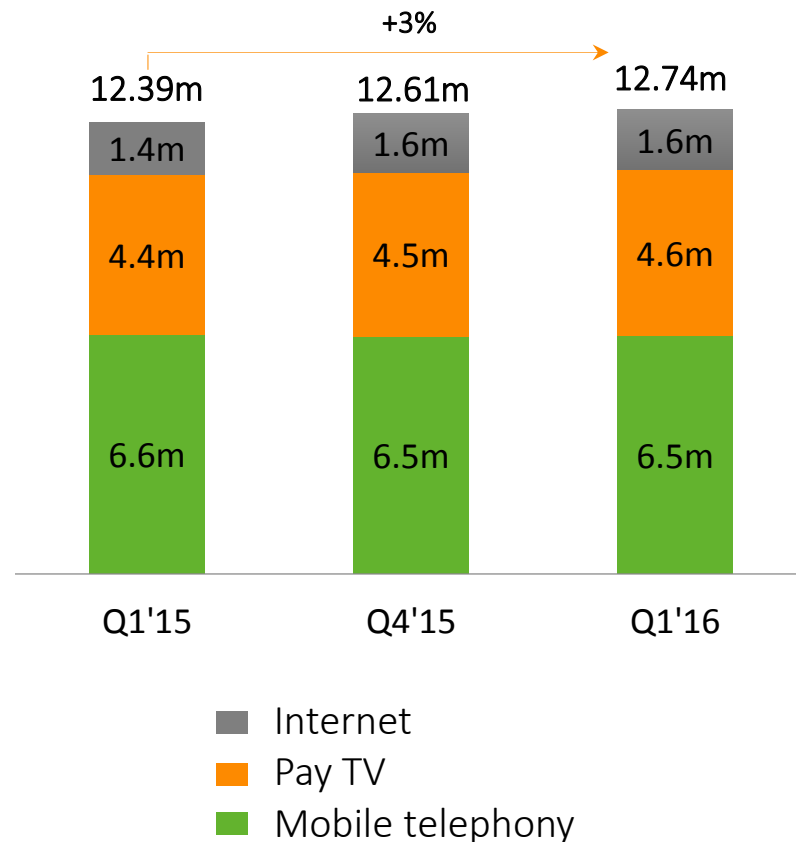
◆ saturation of customer base with smartDOM customers (%)



Contract services growing rapidly



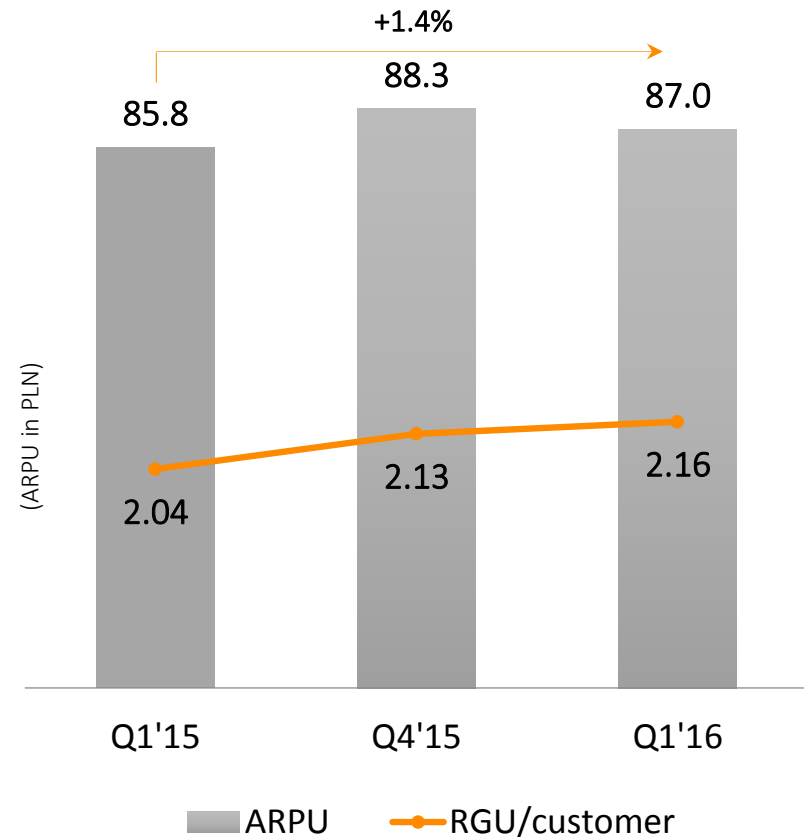
- Strong growth in contract services (+349K YoY, +129K QoQ)
- Further growth in Internet access services (+53K QoQ), supported by top quality LTE network
- Pay TV RGUs growth of +57K (the effect of multiroom and OTT)
- Another quarter with positive results for mobile telephony (low churn and favorable influence of the multiplay strategy)



Effective building of ARPU per customer



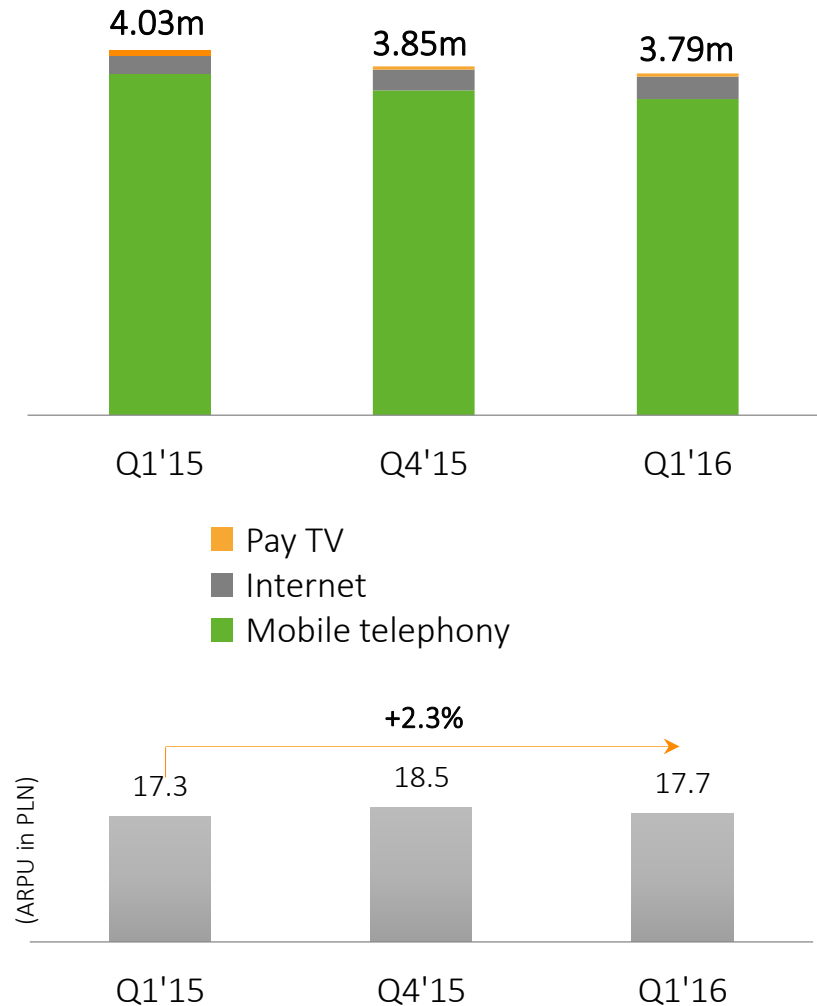
- ARPU from contract services is growing continuously
- Successful product up-selling is reflected in the growth of saturation of RGUs per customer
- The multiplay strategy and continued mobile market stabilization may allow the favorable trend to be sustained



Prepaid – further ARPU growth



- Growth of prepaid ARPU by +2.3% YoY – as the outcome of continuously growing data consumption and IC
- Successive migration of customers of prepaid voice services to contract solutions
- Growth in the number of Internet access RGUs by +33% YoY (active SIMs only)



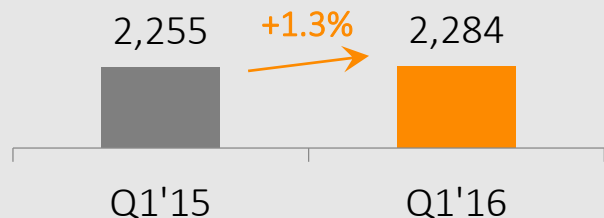
3. Pro-forma financial results

Full quarterly consolidation of Midas Group results

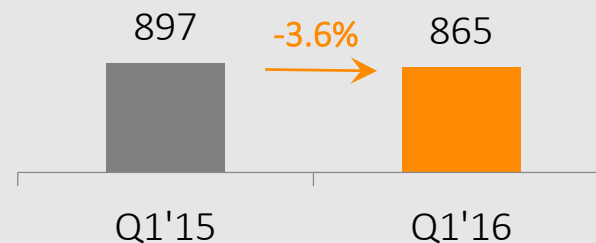


Pro-forma results of the Group

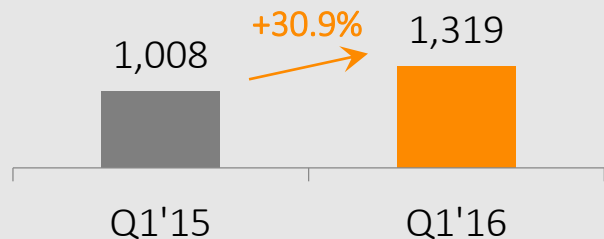
revenue



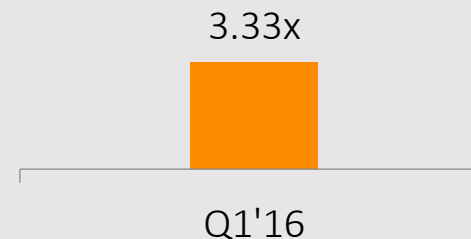
EBITDA



LTM FCF



net debt/EBITDA



Pro-forma results of the segment of services to individual and business customers in Q1'16



| mPLN | Q1'16 | YoY change |
|--------------------------------|-------|------------|
| Revenue | 2,026 | 1% |
| Operating costs ⁽¹⁾ | 1,268 | 3% |
| EBITDA | 764 | -4% |
| EBITDA margin | 37.7% | -1.8pp |

- 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, resulting in EBITDA of PLN 764m

Results of the broadcasting and TV production segment in Q1'16



| mPLN | Q1'16 | YoY change |
|--------------------------------|-------|------------|
| Revenue | 299 | 5% |
| Operating costs ⁽¹⁾ | 198 | 8% |
| EBITDA | 101 | 1% |
| EBITDA margin | 33.9% | -1.6pp |

- Increase of revenue mainly due to the monetization of higher audience shares of Polsat Group channels
- Growth of costs associated with higher content costs
- Growth of reported EBITDA by PLN 1m

Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis
 Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



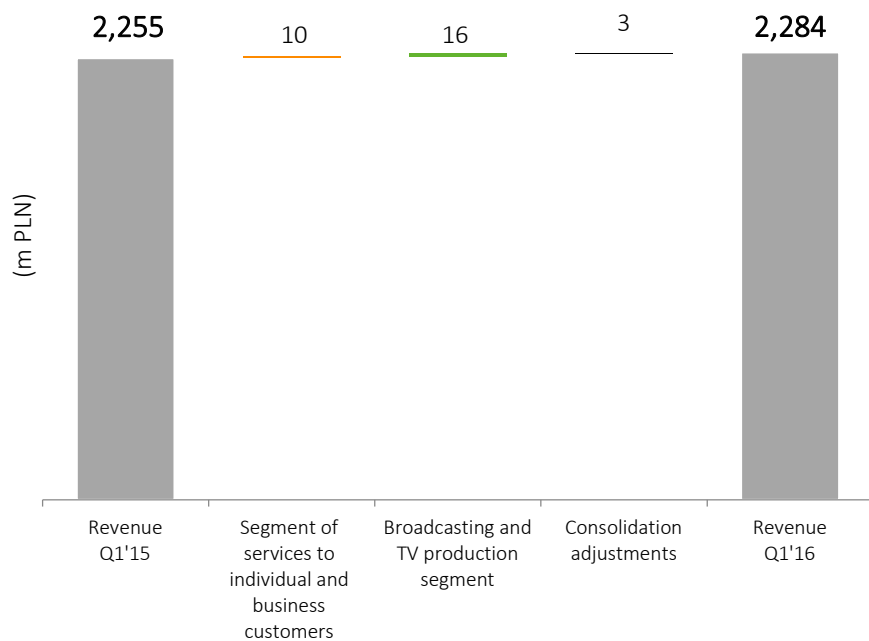
Revenue and costs pro-forma – change drivers in Q1'16



Revenue

YoY change

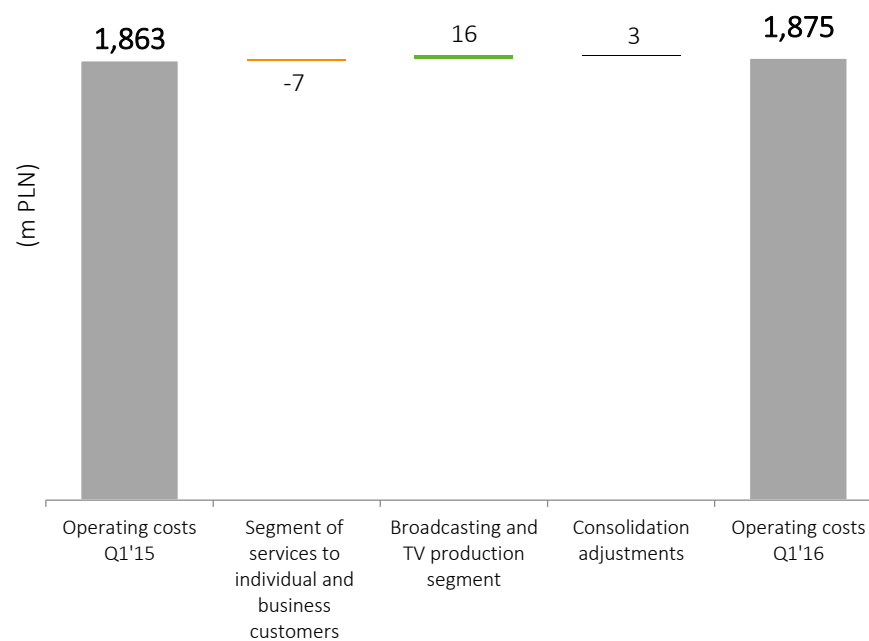
+1%
+29 m



Operating costs

YoY change

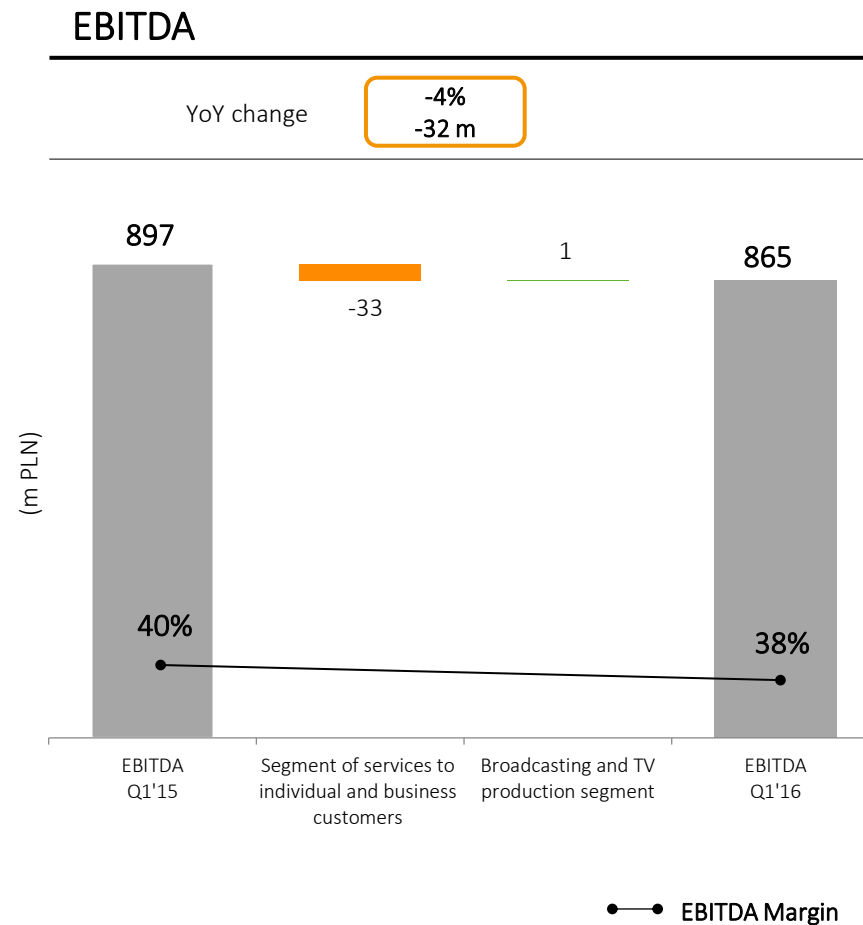
+1%
+12 m



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



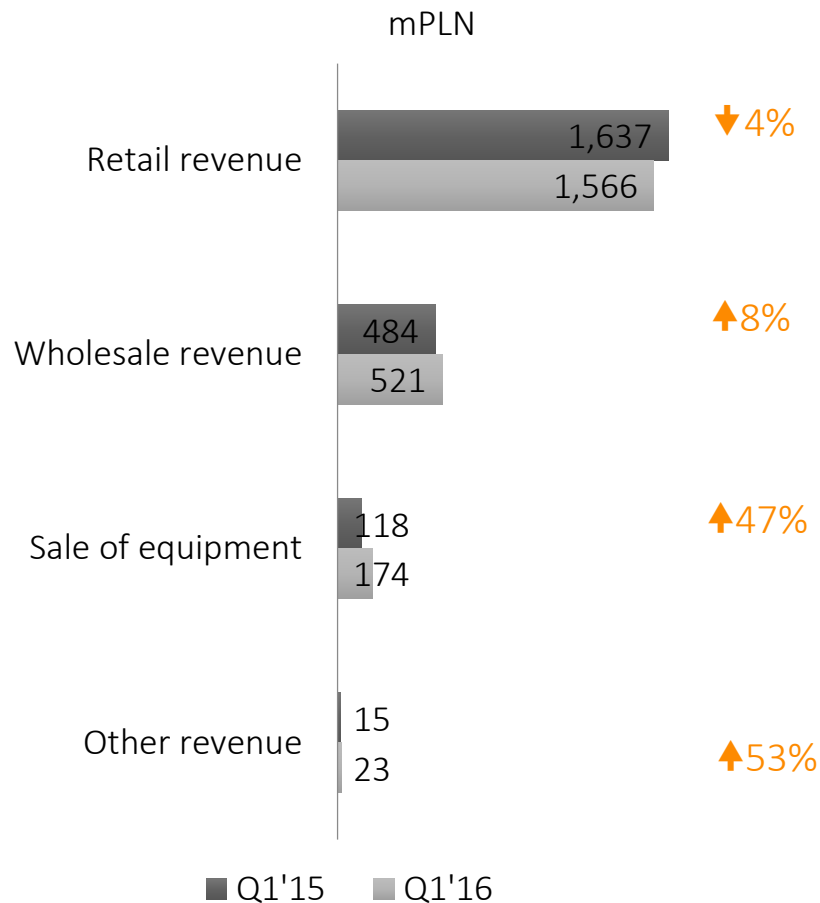
EBITDA pro-forma – change drivers in Q1'16



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

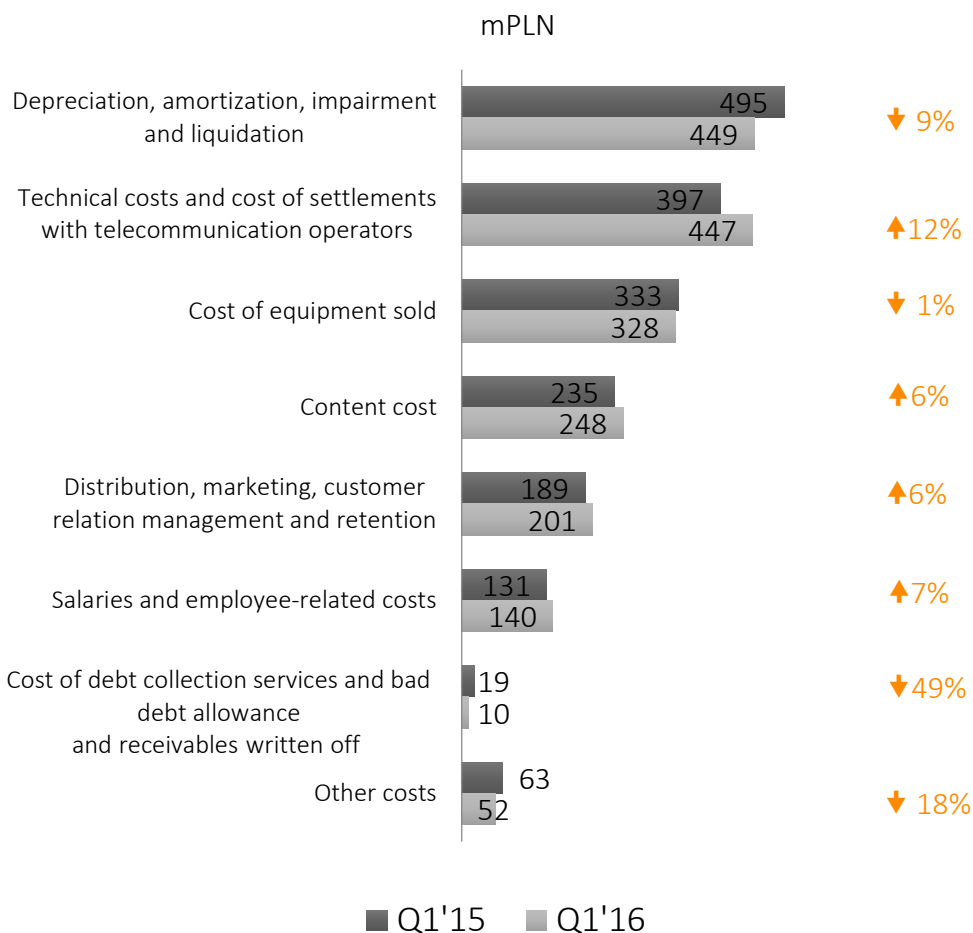


Pro-forma revenue structure in Q1'16



- The decrease of revenue from voice services has been 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 structure in Q1'16

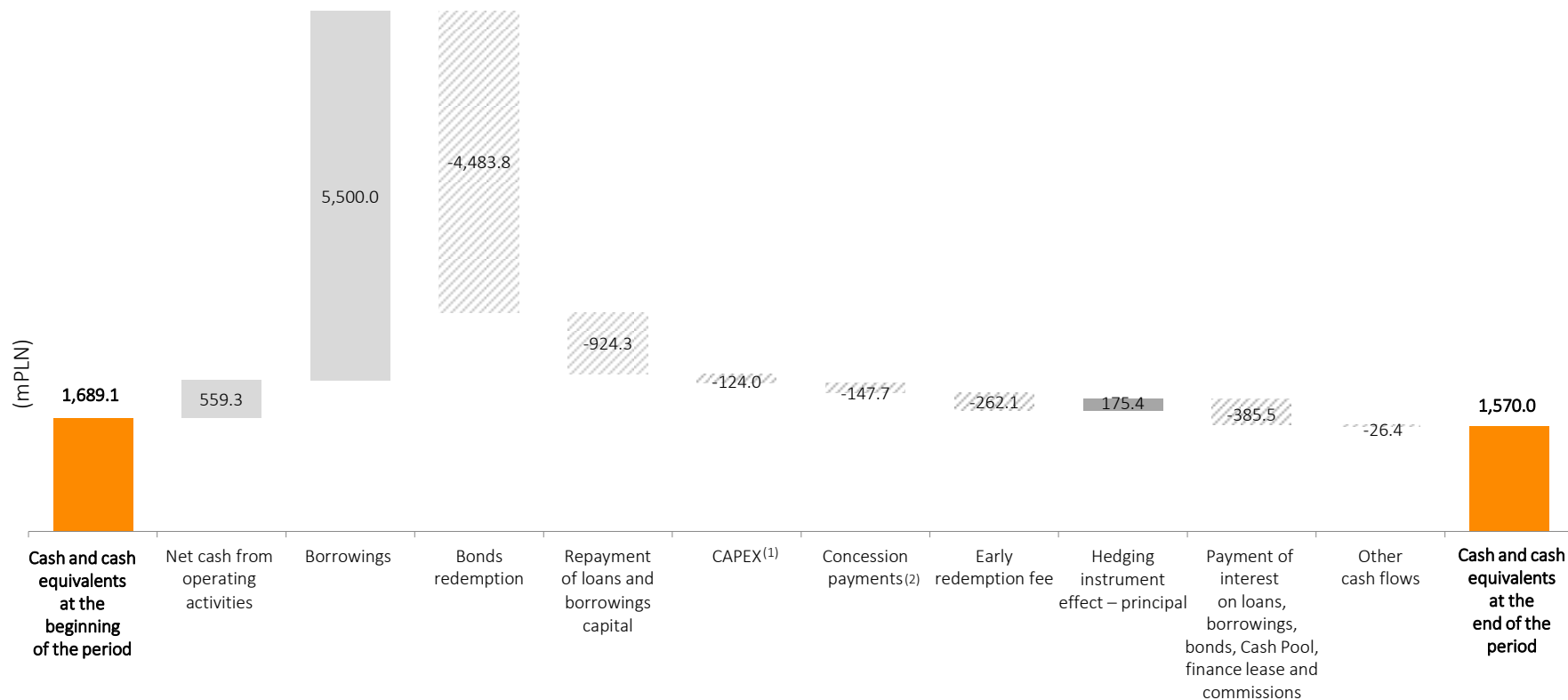


- Lower cost of depreciation of telecommunication infrastructure
- Technical costs influenced by growing IC costs
- Content costs have been affected by higher costs of sport events and higher cost of amortization of film licenses
- Higher recognized accounting (non-cash) sales commission costs affect the dynamics of distribution, marketing, customer relation management and retention costs

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



Pro-forma cash flow statement in Q1'16



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

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

(2) purchase cost 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)

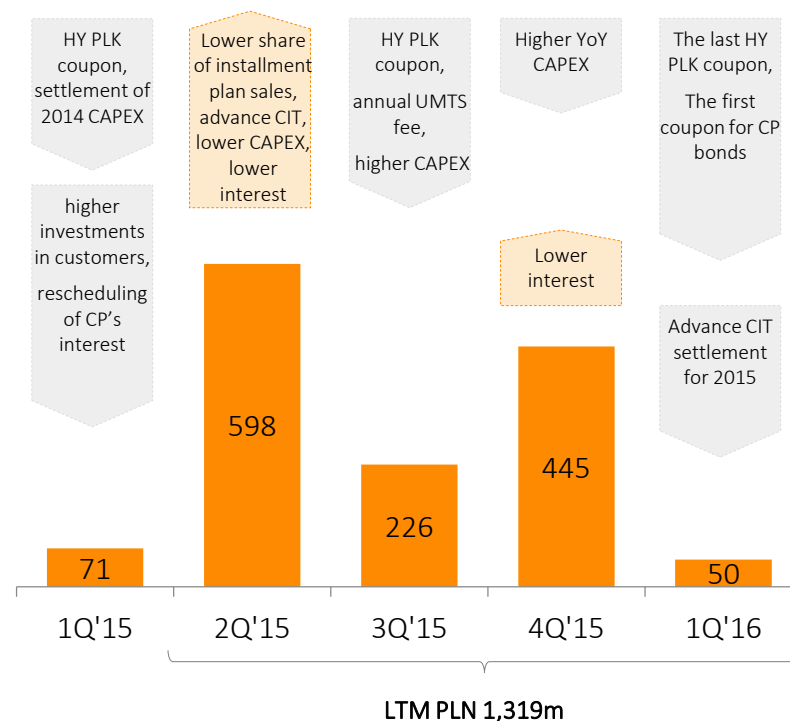


Reconciliation of FCF pro-forma after interest



| mPLN | Q1'16 |
|--|------------|
| Net cash from operating activities | 447 |
| Net cash used in investing activities | -25 |
| Payment of interest on loans, borrowings, Cash Pool ⁽¹⁾ | -470 |
| FCF after interest | -48 |
| FCF of Midas Group in January-February 2016 | 105 |
| Acquisition of Midas Group (including cash) | -262 |
| 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 | 50 |

Adjusted FCF after interest⁽²⁾



Source: Pro-forma, Cyfrowy Polsat, Metelem, Midas, 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 31 March 2016



| mPLN | Carrying amount as at 31 March 2016 |
|--|--|
| Combined Term Facility | 11,203 |
| Revolving Facility Loan | - |
| MDS term facility – Pekao ¹ | 330 |
| MDS term facility – Plus Bank ² | 41 |
| Series A Notes | 1,007 |
| Zero-coupon Midas Notes | 375 |
| Zero-coupon Litenite Notes | 913 |
| Leasing and other | 27 |
| Gross debt | 13,895 |
| Early notes redemption option | 181 |
| Cash and cash equivalents ³ | 1,582 |
| Net debt | 12,132 |
| EBITDA LTM | 3,635 |
| Net debt/EBITDA LTM | 3.34 |

¹ Repaid in full on April 29, 2016

² Repaid in full on May 10, 2016

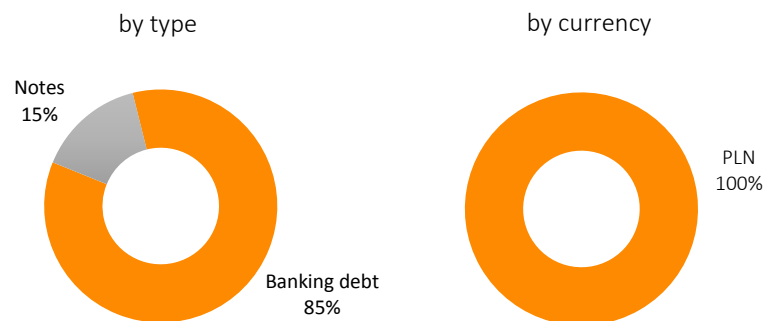
³ This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits

⁴ Nominal value of the indebtedness as at March 31, 2016 (excluding the Revolving Facility Loan)

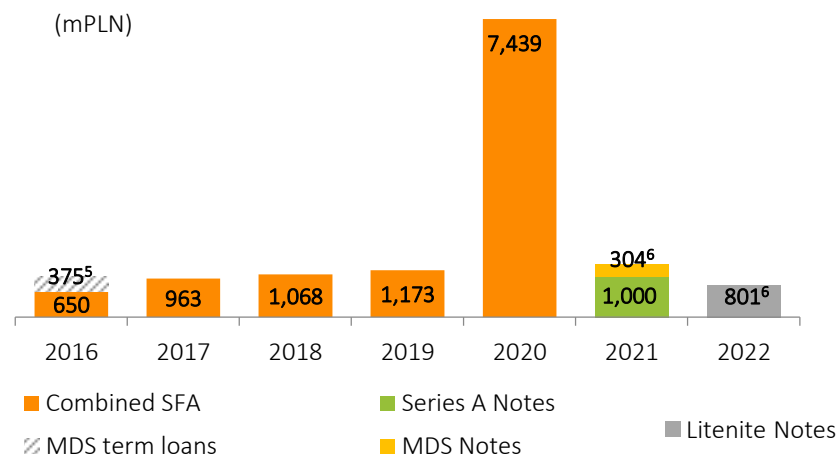
⁵ The entire indebtedness under the MDS term loan with Bank Polska Kasa Opieki S.A. has been repaid on April 29, 2016 and the entire indebtedness under the MDS term loan with Plus Bank S.A. has been repaid on May 10, 2016

⁶ Nominal amount of the Notes as at March 31, 2016

Our debt structure⁴



Our debt maturing profile⁴



Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis



4. Summary and Q&A



Summary



Unique smartDOM strategy



Solid operating and financial results



Strong FCF supports fast deleveraging of the Group



Success of Midas acquisition

5. Additional information

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5.1 Reported financial results of Polsat Group

Consolidation of Midas Group from 29th February 2016

Financial results of Polsat Group in Q1'16



| mPLN | Q1'16 | YoY change |
|--------------------------------|-------|------------|
| Revenue | 2,364 | 2% |
| Operating costs ⁽¹⁾ | 1,524 | 6% |
| EBITDA | 846 | -6% |
| EBITDA margin | 35.8% | -2.7pp |
| Net profit | 179 | 4% |

- The Group's performance is affected by the consolidation of Midas Group results as of February 29, 2016
- The cost level has been mainly affected by higher technical costs and IC settlements
- Net profit has been affected by a one-off net income 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

Source: Consolidated financial statements for the 3 month period ended 31 March 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 Q1'16



| mPLN | Q1'16 | YoY change |
|--------------------------------|-------|------------|
| Revenue | 2,106 | 1% |
| Operating costs ⁽¹⁾ | 1,367 | 5% |
| EBITDA | 745 | -6% |
| EBITDA margin | 35.4% | -2.7pp |

- Revenue growth due to higher revenue from sales of equipment and higher wholesale revenue
- The cost level mainly affected by higher technical costs and IC settlements, resulting in EBITDA of PLN 745m

Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



Results of the broadcasting and TV production segment in Q1'16



| mPLN | Q1'16 | YoY change |
|--------------------------------|-------|------------|
| Revenue | 299 | 5% |
| Operating costs ⁽¹⁾ | 198 | 8% |
| EBITDA | 101 | 1% |
| EBITDA margin | 33.9% | -1.6pp |

- Increase of revenue mainly due to the monetization of higher audience shares of Polsat Group channels
- Growth of costs associated with higher content costs
- Growth of reported EBITDA by PLN 1m

Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis

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



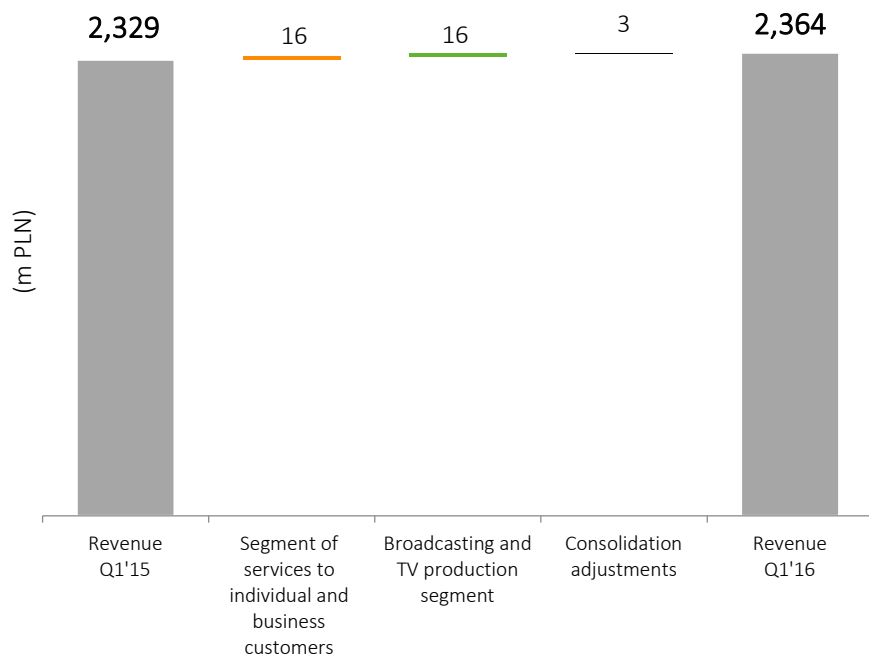
Revenue and costs – change drivers in Q1'16



Revenue

YoY change

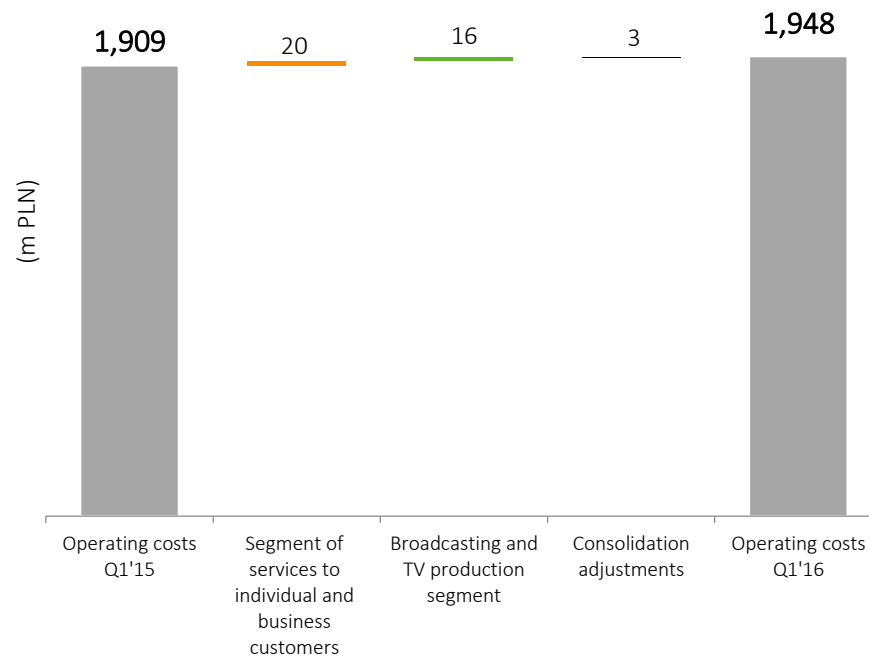
+2%
+35 m



Operating costs

YoY change

+2%
+39 m



Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis



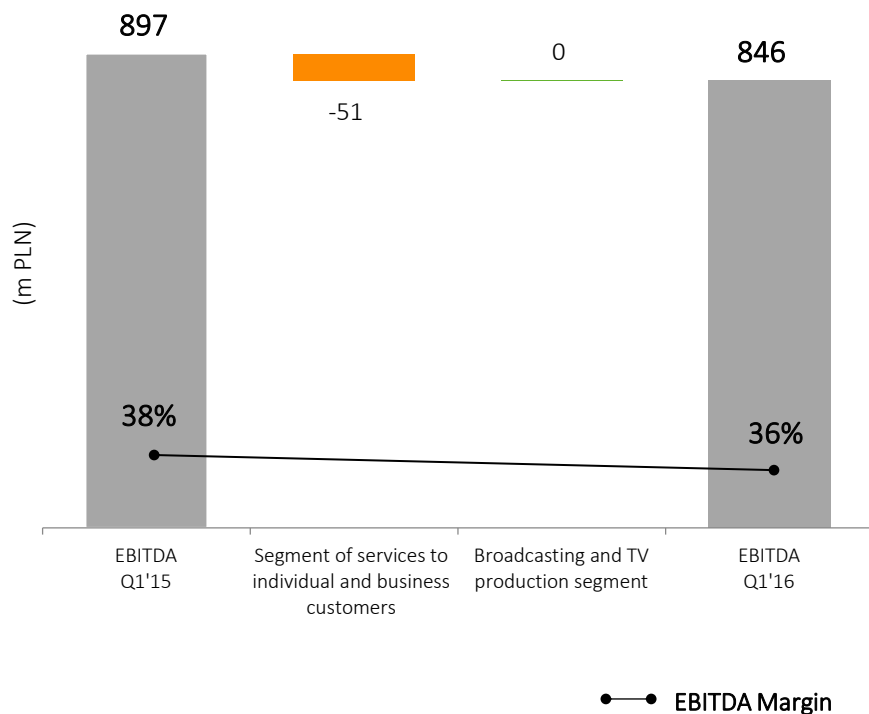
EBITDA and net profit – change drivers in Q1'16



EBITDA

YoY change

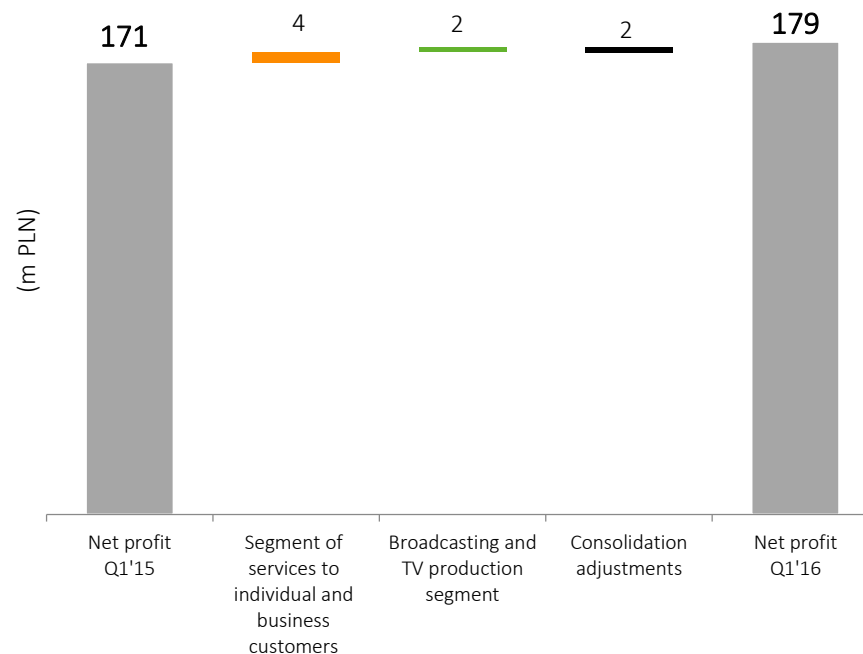
-6%
-50 m



Net profit

YoY change

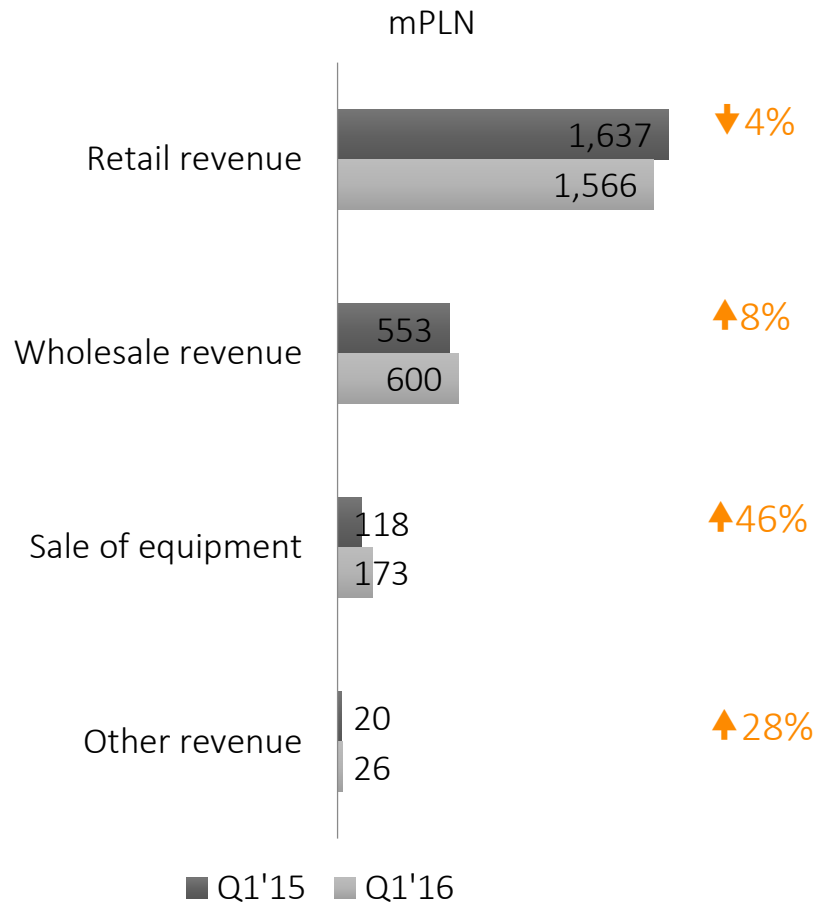
+4%
+8 m



Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis

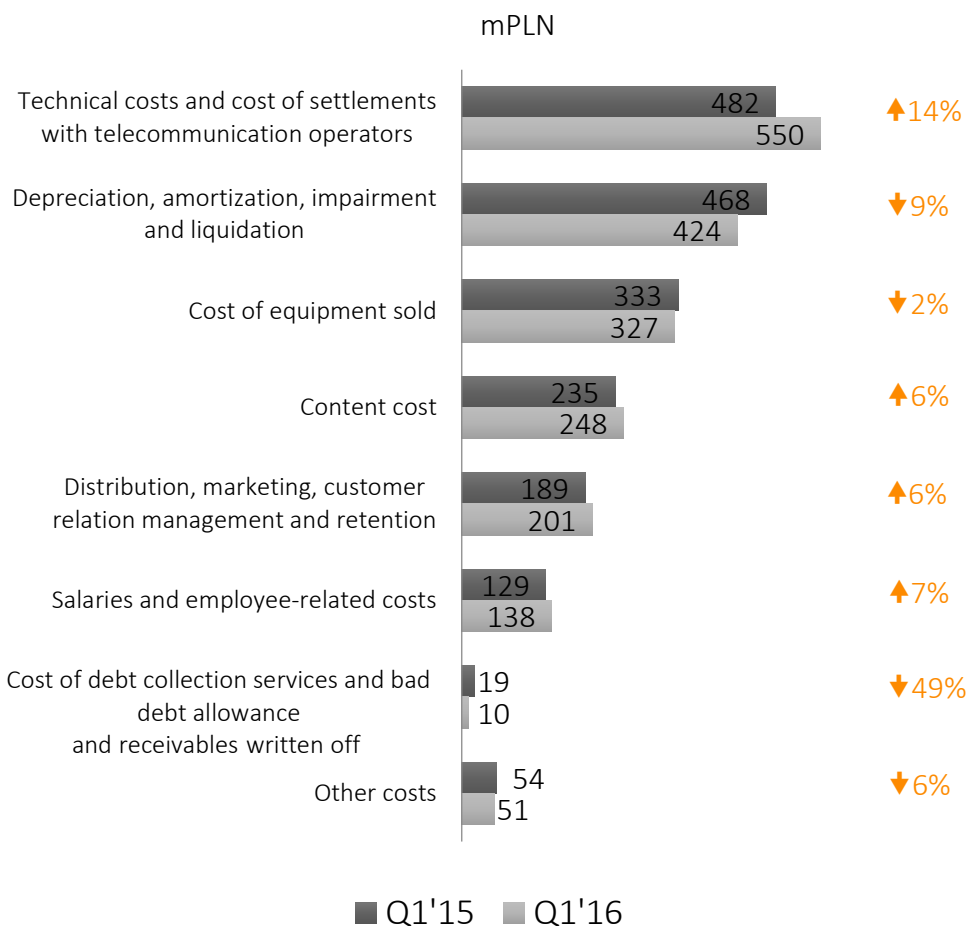


Revenue structure in Q1'16



- Lower revenue from retail sales, mainly as a result of a decrease in revenue from voice services due to higher competition on the telecommunication market, partially offset by growing revenue from mobile Internet access services and data transmission
- Growth of wholesale revenue, chiefly due to growth of IC revenue, as well as thanks to Polsat TV's higher advertising 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

Operating costs structure in Q1'16

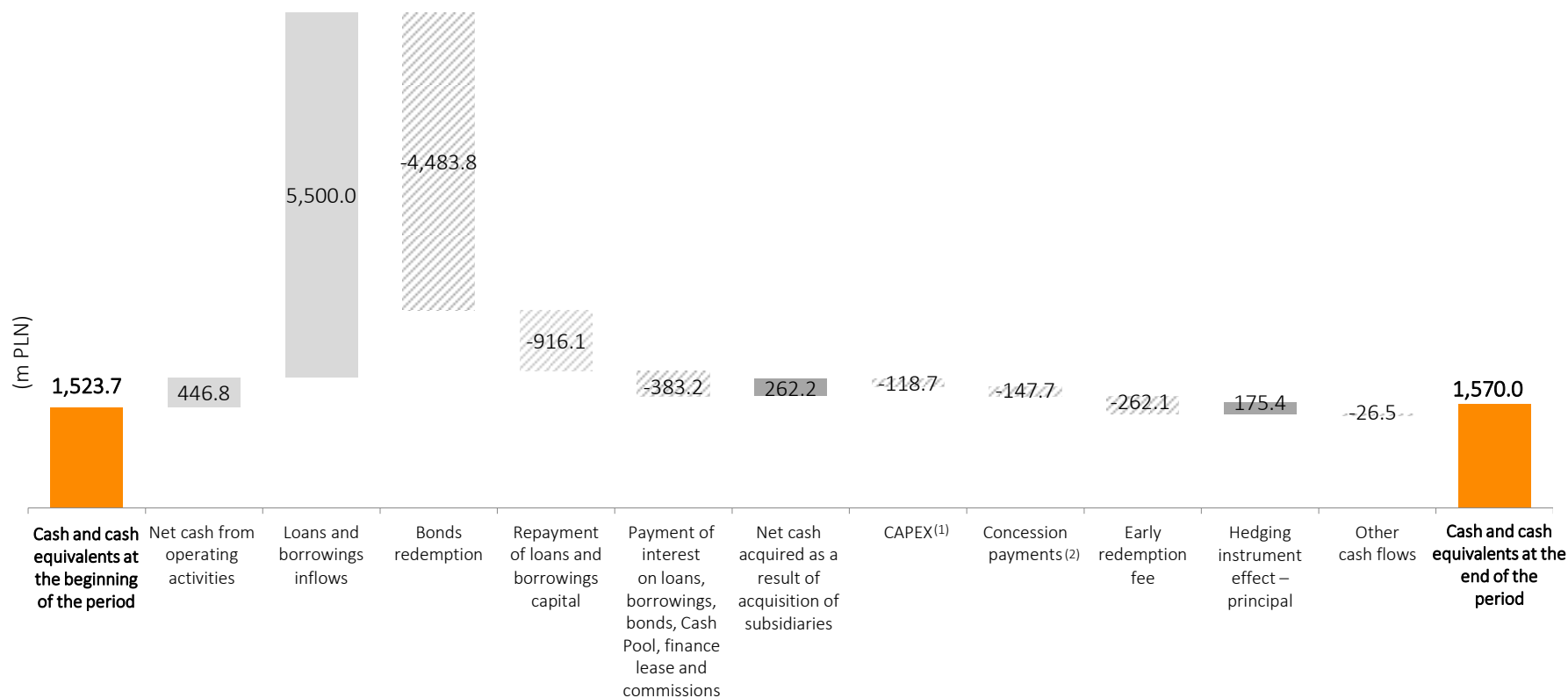


- Technical costs affected by higher traffic costs connected with broadband Internet access service
- Decreasing costs of depreciation, amortization, impairment and liquidation thanks to, among others, lower depreciation costs of telecommunication infrastructure
- Content costs have been affected by 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

Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis



Cash flow statement in Q1'16



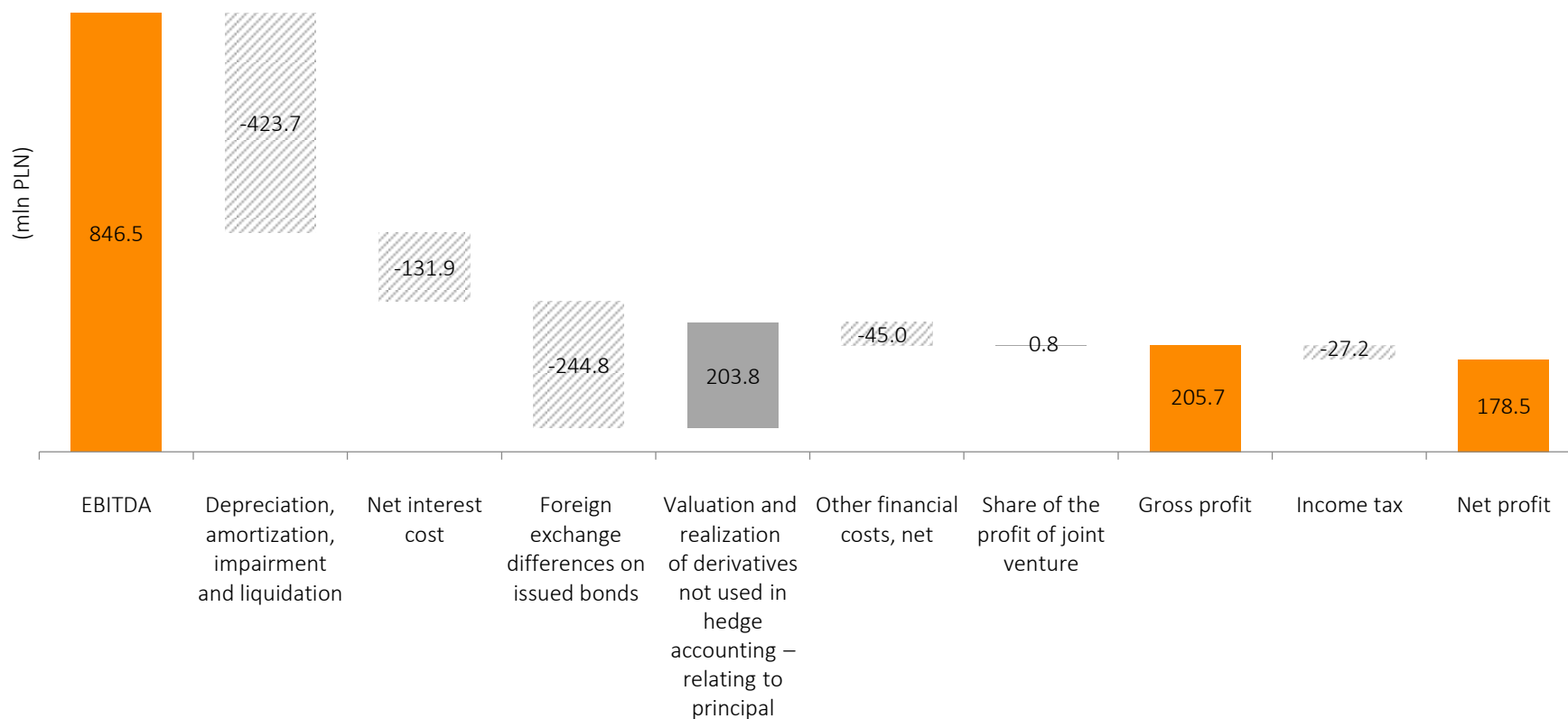
Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis

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

(2) purchase cost 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)



Items below the EBITDA level in Q1'16



Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis

5. Additional information



5.2 Financial results of Midas Group

Financial results of Midas Group in Q1'16



| mPLN | Q1'16 | YoY change |
|--------------------------------|-------|------------|
| Revenue | 186 | 51% |
| Operating costs ⁽¹⁾ | 152 | 23% |
| EBITDA | 34 | >100% |
| EBITDA margin | 18.1% | 17.5pp |
| Net profit | -6 | - |

Source: Consolidated financial statements for the 3 month period ended 31 March 2016 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



Cash flow statement of Midas Group in Q1'16



| thousand PLN | 31 March 2016 | 31 March 2015 |
|--|----------------|----------------|
| Net profit | -5 578 | -33 897 |
| Adjustments for: | 231 891 | 79 739 |
| Depreciation, amortization, impairment and liquidation | 37 246 | 27 455 |
| Interest and fees | 12 217 | 9 574 |
| Change in inventories | 12 | -159 |
| Change in receivables | 50 883 | 65 941 |
| Change in other assets | 14 877 | 2 248 |
| Change in liabilities | 57 973 | -23 516 |
| Change in deferred income | 68 294 | 1 212 |
| Income tax | -3 378 | -1 521 |
| Revaluation of updating the embedded derivative | -6 280 | -1 184 |
| Other adjustments | 47 | -311 |
| Cash from operating activities | 226 313 | 45 842 |
| (Income tax paid)/ income tax return | -2 335 | - |
| Net cash from operating activities | 223 978 | 45 842 |
| Acquisition of property, plant, equipment and intangible assets | -17 902 | -57 236 |
| Proceeds from sale of intangible and tangible fixed assets and investment property | 29 | - |
| Net cash used in investing activities | -17 873 | -57 236 |
| Loans and borrowings inflows | - | 35 910 |
| Repayment of loans and borrowings | -16 275 | -2 500 |
| Repayment of fees and interest on loans and borrowings | -4 310 | -3 318 |
| Other expenses | -52 | -52 |
| Net cash used in financing activities | -20 637 | 30 040 |
| Net increase in cash and cash equivalents | 185 468 | 18 646 |
| Cash at the beginning of the period | 144 128 | 53 450 |
| Balance sheet change in cash | 185 468 | 18 646 |
| Cash at the end of the period | 329 596 | 72 096 |
| Includes restricted cash | 20 000 | - |

Source: Consolidated financial statements for the 3 month period ended 31 March 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.



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