



Financial results H1 2015

26 August 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 the 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 had on 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 Q2'15⁽¹⁾



6.0m
contract customers

2.07 RGU
per customer
PLN 87.0 ARPU
per customer

24.7%
audience share

16.3m **RGU**
12.4m contract services
4.0m prepaid services



10.3m telephony
4.4m pay TV
1.7m Internet

25.4%
ad market share

Note: (1) rounded figures



Key facts in Q2'15



PLN 2,469_m
Revenue

PLN 977_m
EBITDA
39.6% EBITDA margin

PLN 680/1,491_m
FCF (Q2'15/LTM)

3.0x
Net debt/EBITDA



Key events



Corporate events

- Issue of unsecured bonds worth PLN 1 billion with interest rate of WIBOR 6M+250bps. The bonds are traded in the Catalyst alternative trading system
- Pre-term repayment of PLN 1 billion under the SFA CP
- Continuation of the refinancing process of SFA CP and SFA PLK facilities

Products and services

- New release of the smartDOM program. The refreshed offer features the possibility of purchasing even up to 6 services, 5 of which are offered at discounted prices
- Migration of CP TV services to MPEG-4 compression standard (from October 2015)



2. Operations Report



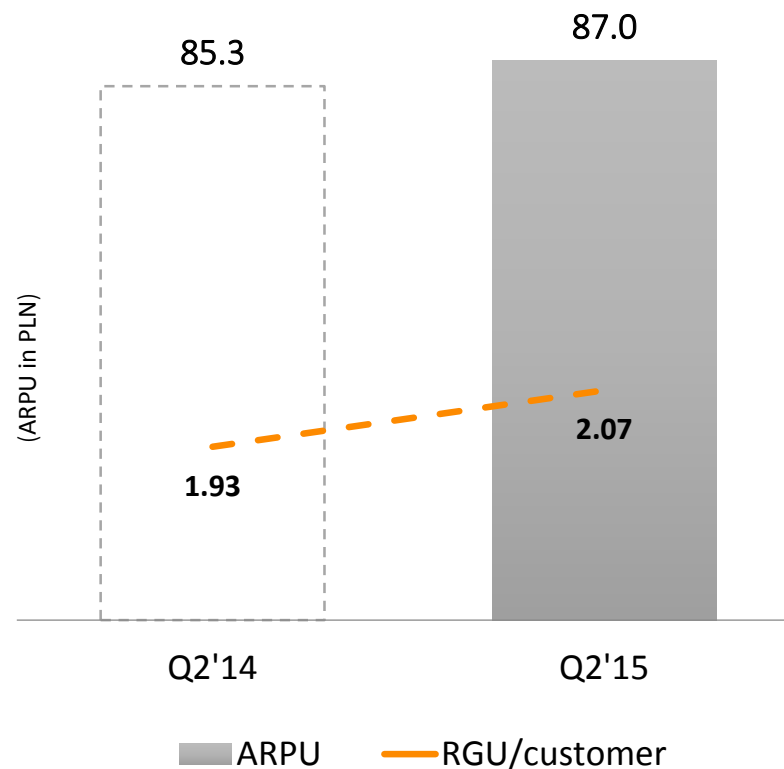
2.1 Services to individual and business customers

Tomasz Gillner-Gorywoda

President of the Management Board, CEO

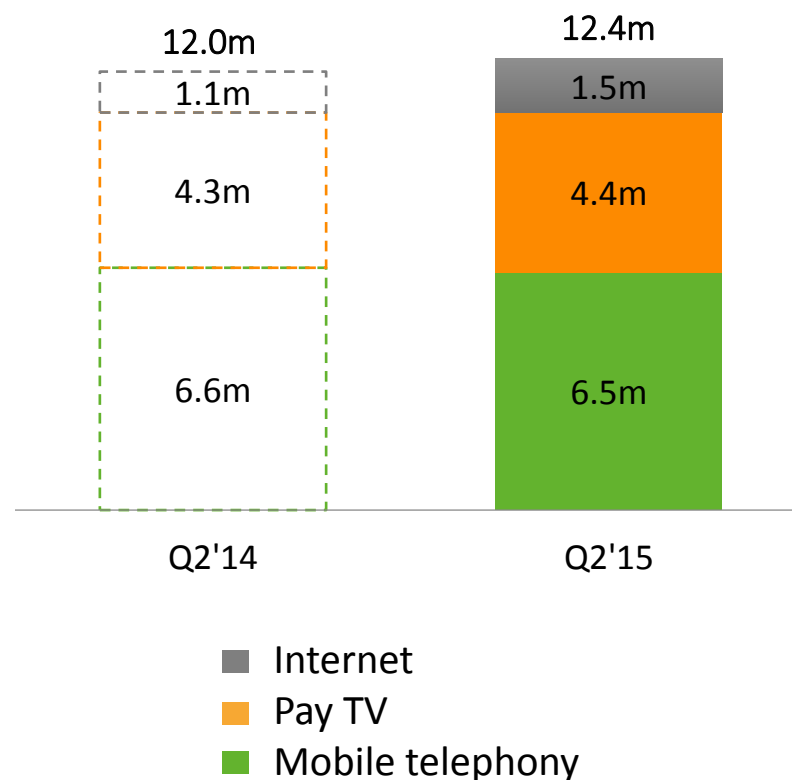
Effective execution of the strategy

- Customer base remains at a level of 6.0m
- Churn ratio of 10.1% as a result of an accumulation of ending contracts for pay TV in H1'15
- Consistent execution of the strategy resulting in an increase in the saturation of the customer base with contract services
- Sharp increase of ARPU per customer by 2.0% YoY



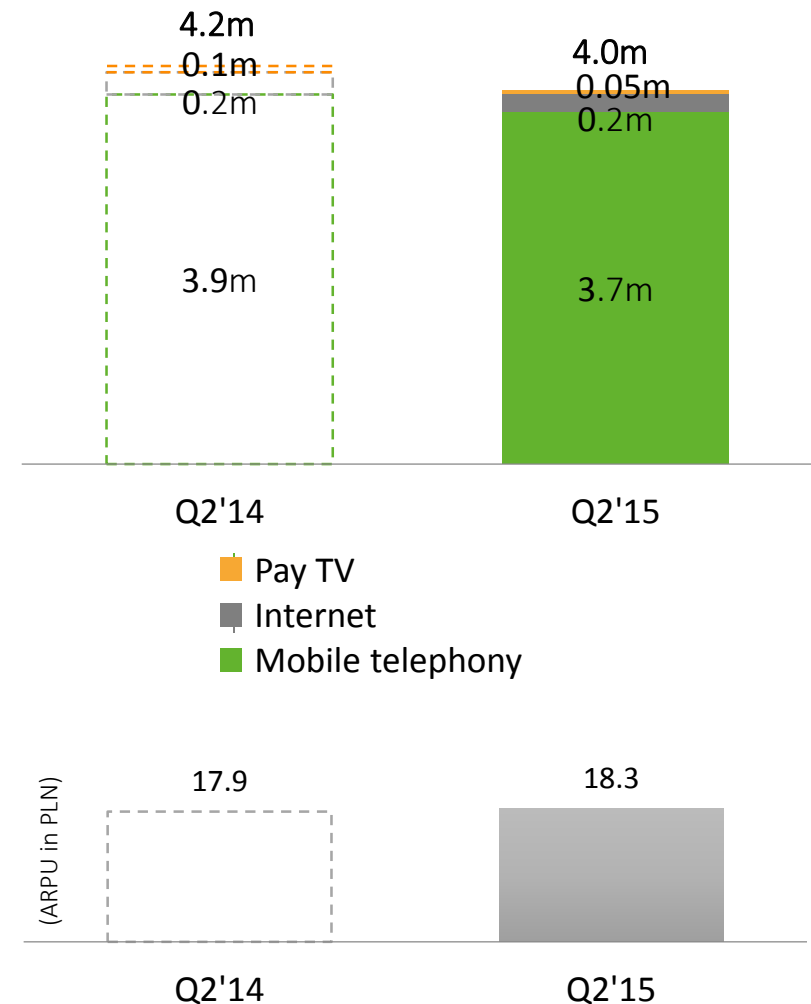
Stable growth of contract services

- Growth of the total base of contract services by 2.9%
- Number of customers of the contract-based Internet access service approaches 1.5m, due to effective saturation of the customer base with integrated services
- Growth of the number of pay TV RGUs by 2.8% driven by continued demand for the Multiroom service
- Slight decrease of the number of mobile telephony RGUs, as a result of a highly competitive market



Prepaid services

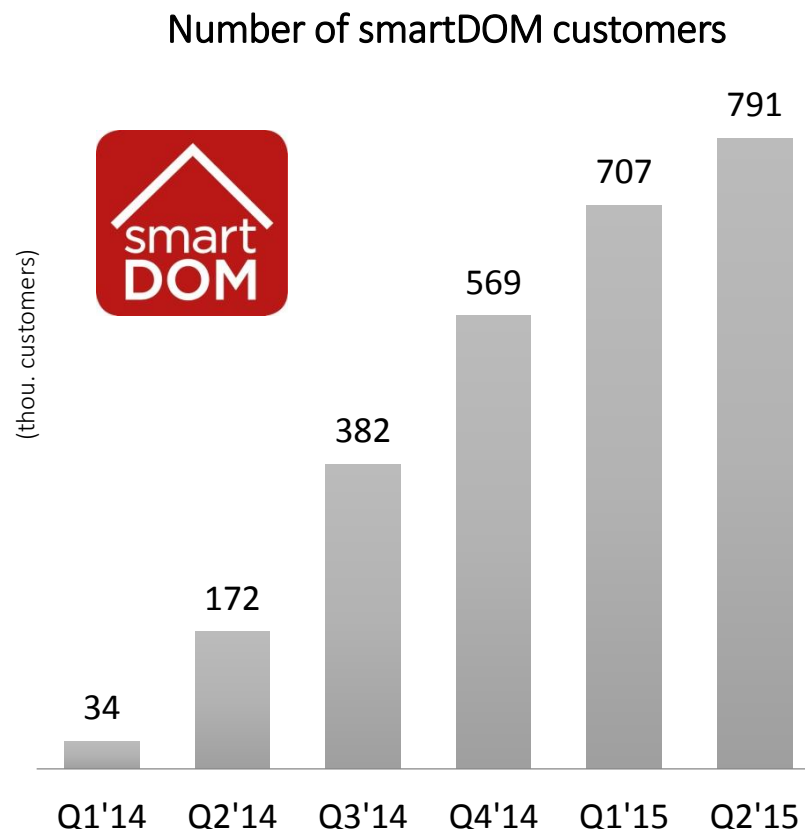
- RGU base of prepaid services mainly affected by the gradual migration of prepaid customers to postpaid contracts, a trend observed throughout the market
- ARPU growth at a pace of 2.6% YoY: in a stable pricing environment in the segment
- Growth of data consumption on smartphones and higher volumes of traffic positively reflected in the level of ARPU



Success of our multiplay strategy



- Stable growth of the saturation of our customer base with integrated services
- 791K customers purchased additional services from our smartDOM offer
- The number of RGUs owned by this group of customers is 2.41 million

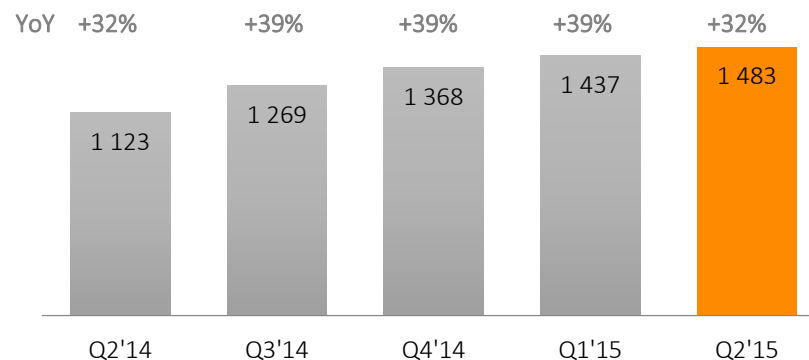


Dynamically growing base of mobile broadband and smartphone users

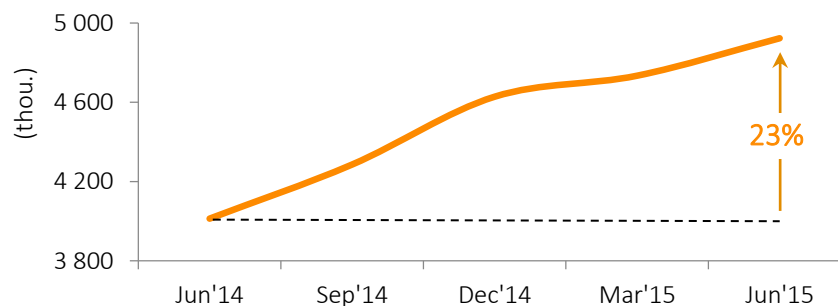


- The successive increase of our network coverage combined with an effective multiplay strategy enables us to maintain the rate of acquisition of new mobile Internet RGUs
- Already over 2300 base stations operate in LTE800 data transmission technology thanks to which Plus and Cyfrowy Polsat customers enjoy the largest LTE network coverage footprint
- Continuous growth of the number of smartphone users – in Q2'15 smartphones accounted for around 90% of the total number of handsets sold
- As a result, in June 2015 data transmission services were actively used by 4.9m SIMs logged onto our network

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



2.2 Broadcasting and TV production segment

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Maciej Stec

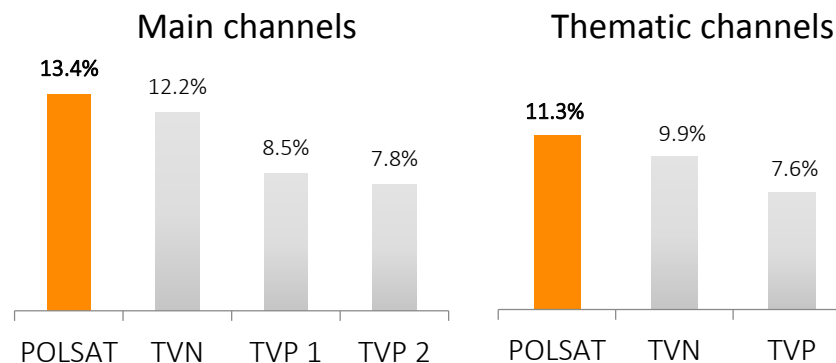
Member of the Management Board

Viewership of our channels in Q2'15

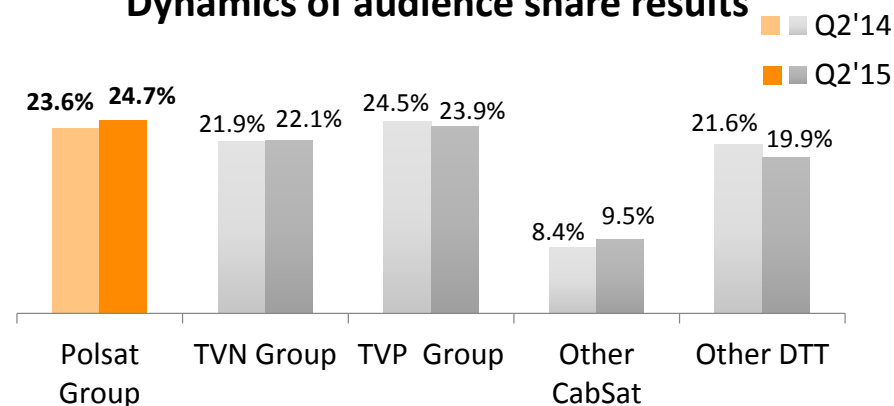


- Polsat's main channel and Polsat Group are the viewership leaders in the commercial group
- Very positive effect of programming investments made in TV4 and TV6 channels

Audience shares



Dynamics of audience share results



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

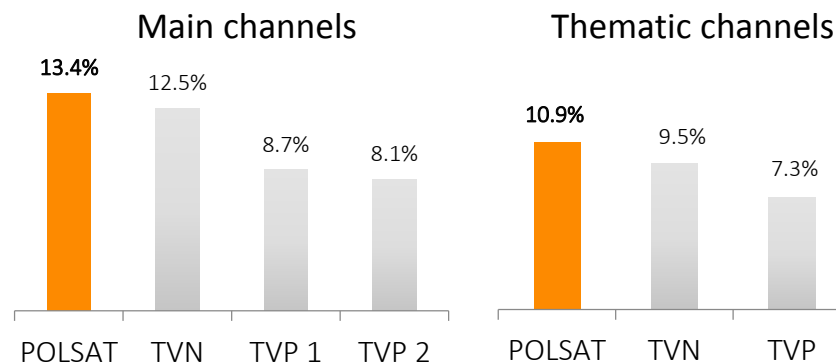


Viewership of our channels in H1'15

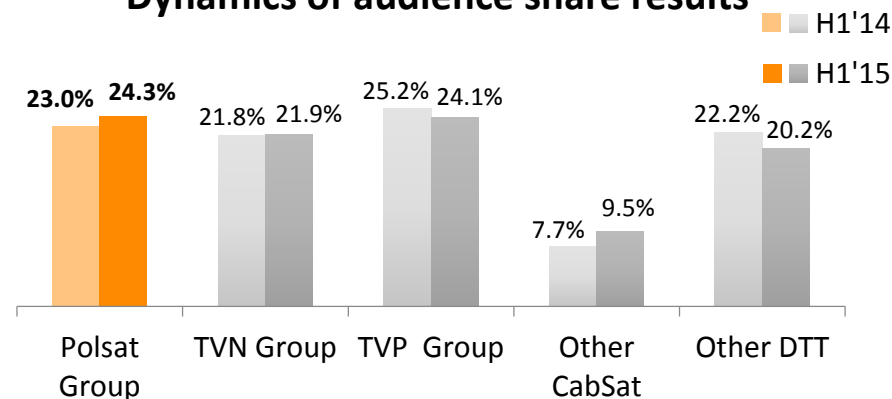


- Polsat's main channel and thematic channels are the viewership leaders in the commercial group
- Polsat Group viewership in line with the strategy

Audience shares



Dynamics of audience share results



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

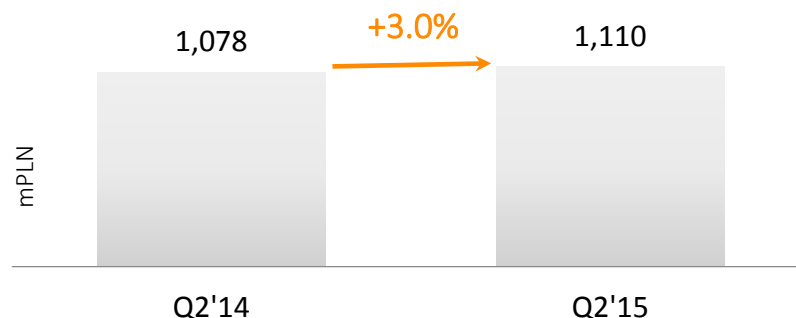


Position on the advertising market in Q2'15

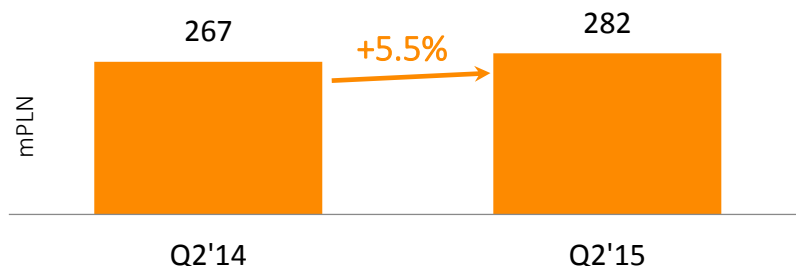


- TV advertising and sponsorship market in Q2'15 increased YoY by 3.0%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising market increased to 25.4%

Market expenditures on TV advertising and sponsorship



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



Source: Starlink, airtime and sponsorship; TV Polsat; internal analysis

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

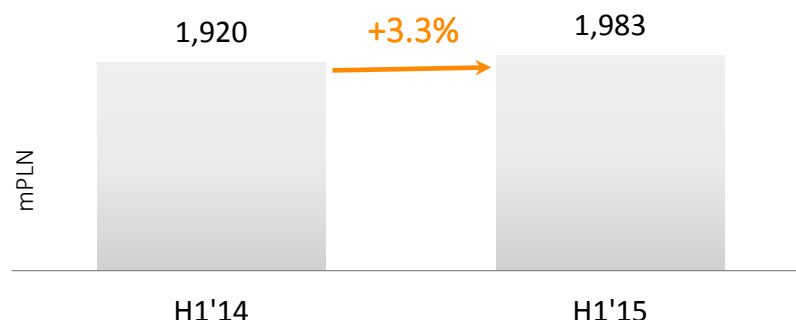


Position on the advertising market in H1'15

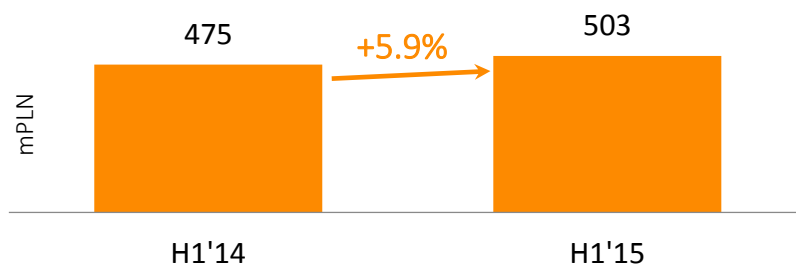


- TV advertising and sponsorship market in H1'15 increased YoY by 3.3%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising market increased to 25.3%

Market expenditures on TV advertising and sponsorship



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



Source: Starlink, airtime and sponsorship; TV Polsat; internal analysis

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



3. Financial results



Tomasz Szelaąg

Member of the Management Board, CFO

Group's financial results in Q2'15



mPLN	Q2'15	YoY change
Revenue	2,469	41%
Operating costs ⁽¹⁾	1,506	45%
EBITDA	977	38%
EBITDA margin	39.6%	(1.0pp)
Net profit	305	130%

- Increase in major bottom-line items as a result of the consolidation of Metelem Group's results for the full quarter (the consolidation of the comparative period from 7 May 2014)
- Excluding the effect of consolidation of Metelem, revenue grew YoY at 5.7% and EBITDA increased by 9.7%
- Net profit increased to the level of PLN 305m mainly as a result of ongoing optimization of the financing structure of Polsat Group's activities

Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

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



Results of the segment of services to individual and business customers in Q2'15



mPLN	Q2'15	YoY change
Revenue	2,171	49%
Operating costs ⁽¹⁾	1,341	54%
EBITDA	844	42%
EBITDA margin	38.9%	(1.7pp)
Net profit	211	30%

- Excluding the effect of consolidation of Metelem, revenue grew at 4.9%, primarily due to higher sales of telecommunication products
- In spite of growing data transmission costs, due mainly to the growing number of mobile Internet service users, EBITDA for this segment, excluding consolidation of Metelem, grew at the pace of 6.6%, driven by, among others, lower marketing costs as well as lower customer service and retention costs

Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

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



Results of the broadcasting and TV production segment in Q2'15



mPLN	Q2'15	YoY change
Revenue	346	6%
Operating costs ⁽¹⁾	213	2%
EBITDA	134	15%
EBITDA margin	38.6%	2.8pp
Net profit	109	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
- Control of operating costs positively affected the improvement of EBITDA and EBITDA margin

Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

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



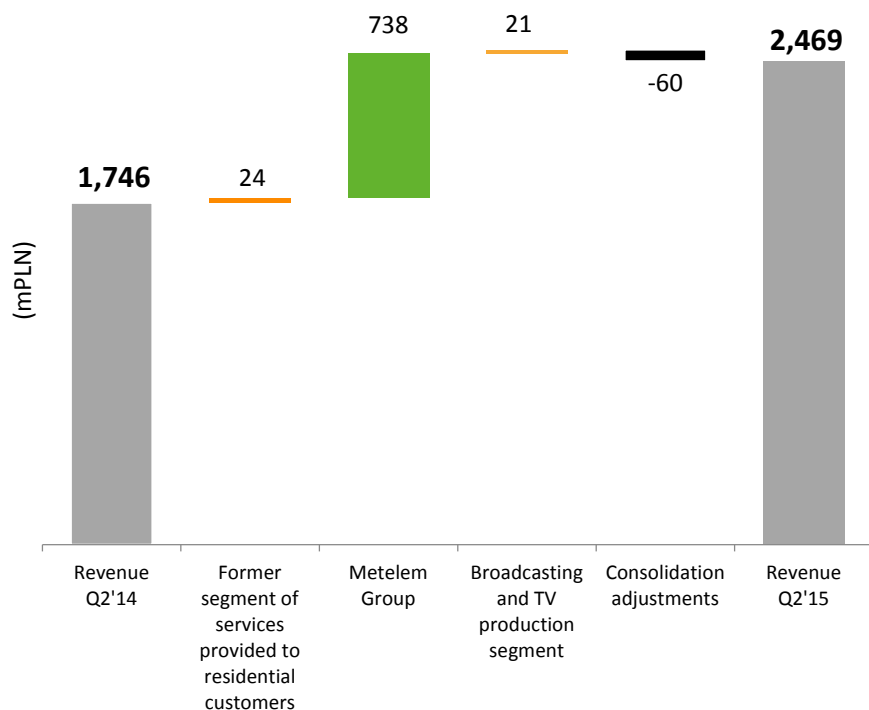
Revenue and costs – change drivers in Q2'15



Revenue

YoY change

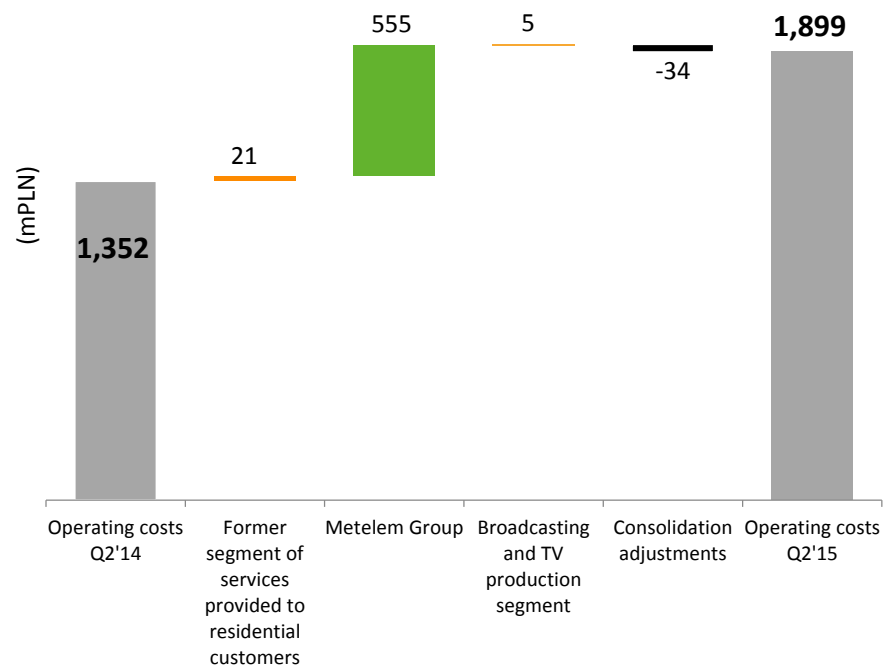
+41%
+723 m



Operating costs

YoY change

+41%
+548 m



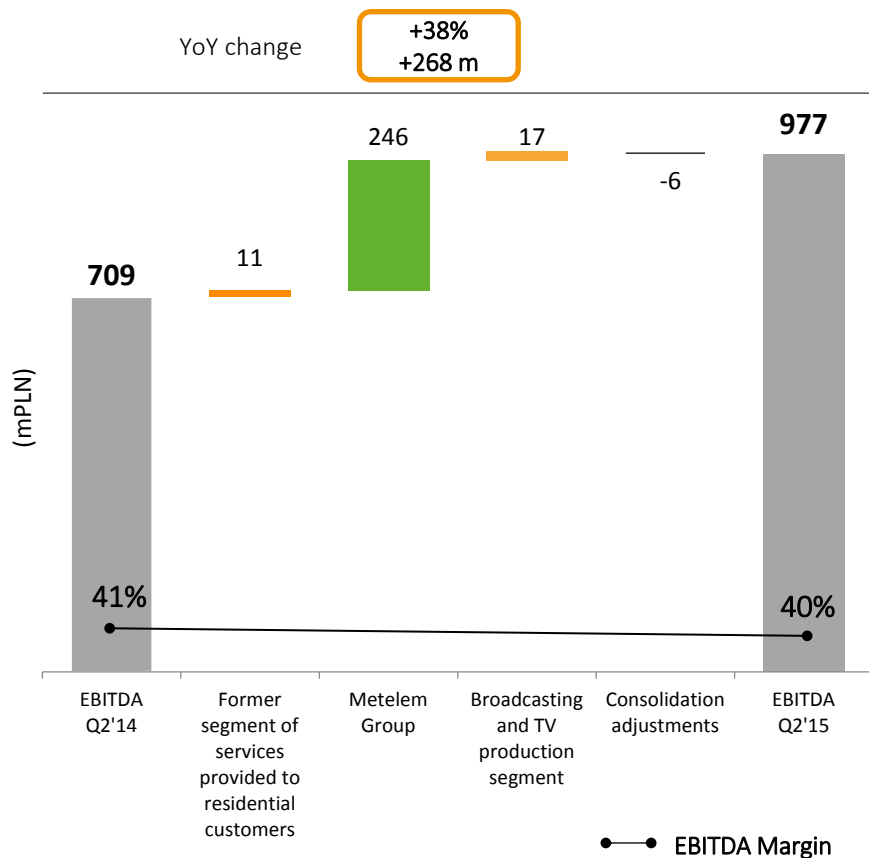
Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis



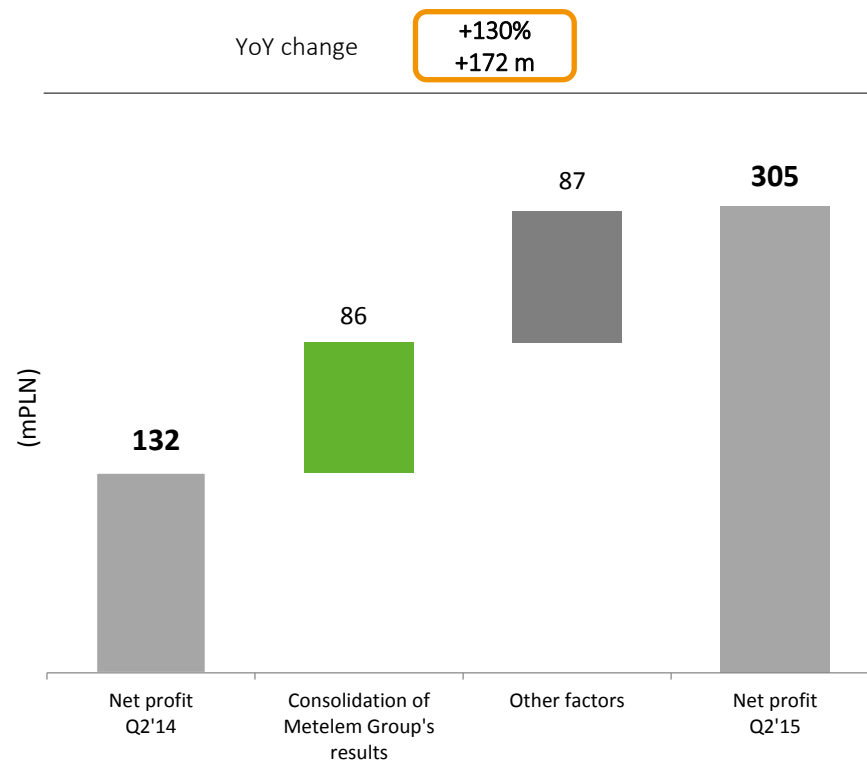
EBITDA and net profit – change drivers in Q2'15



EBITDA



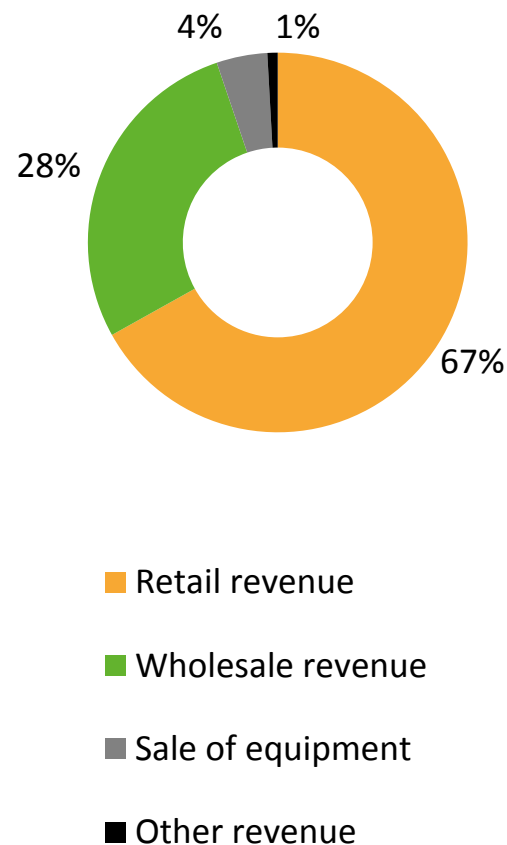
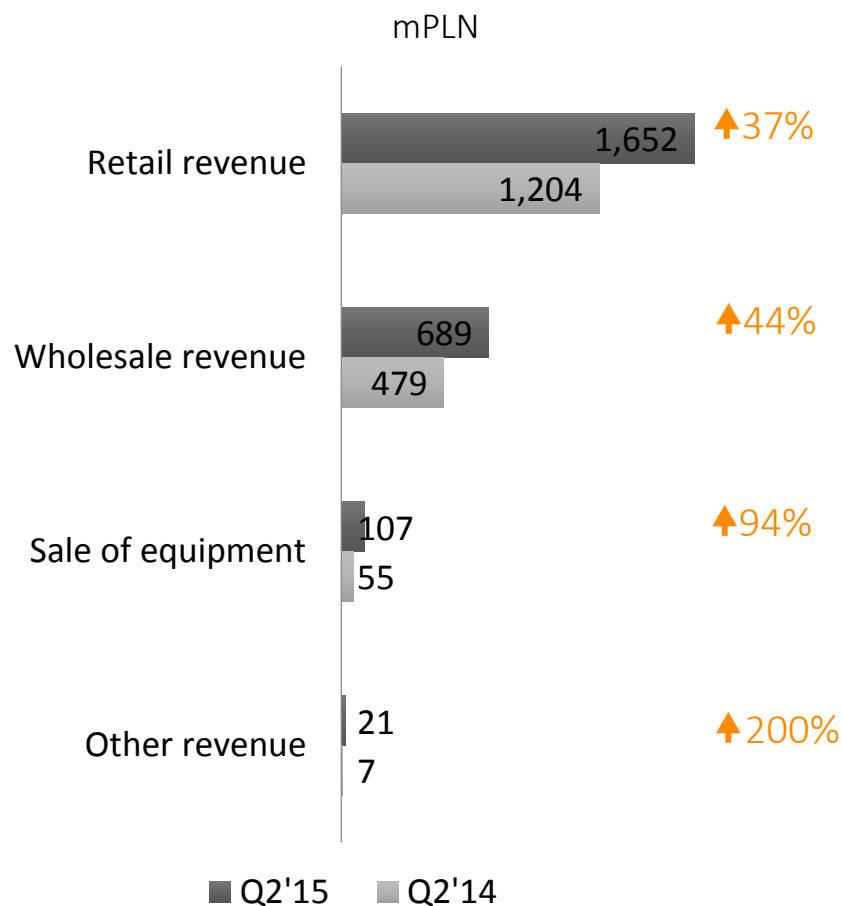
Net profit



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

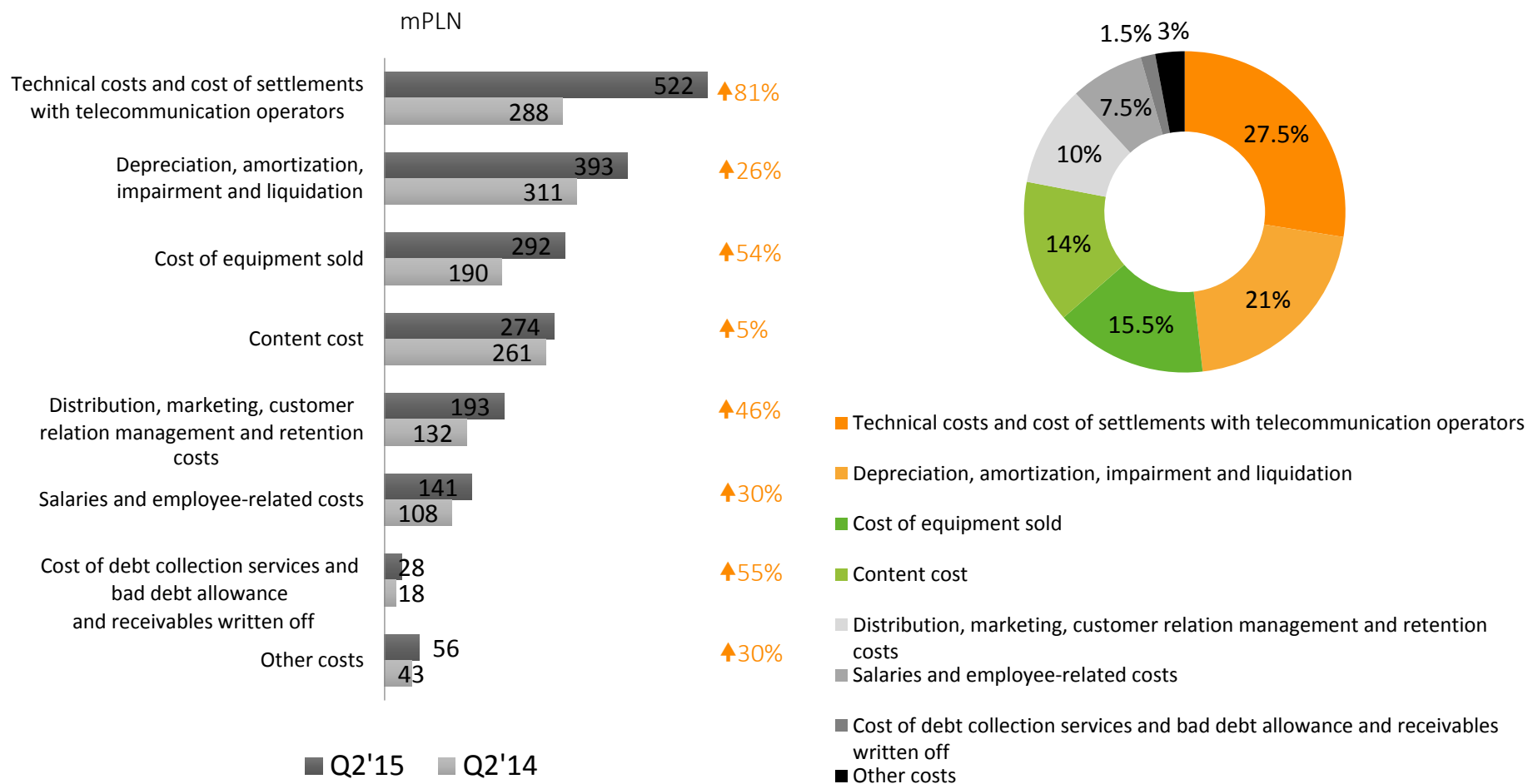


Revenue structure in Q2'15



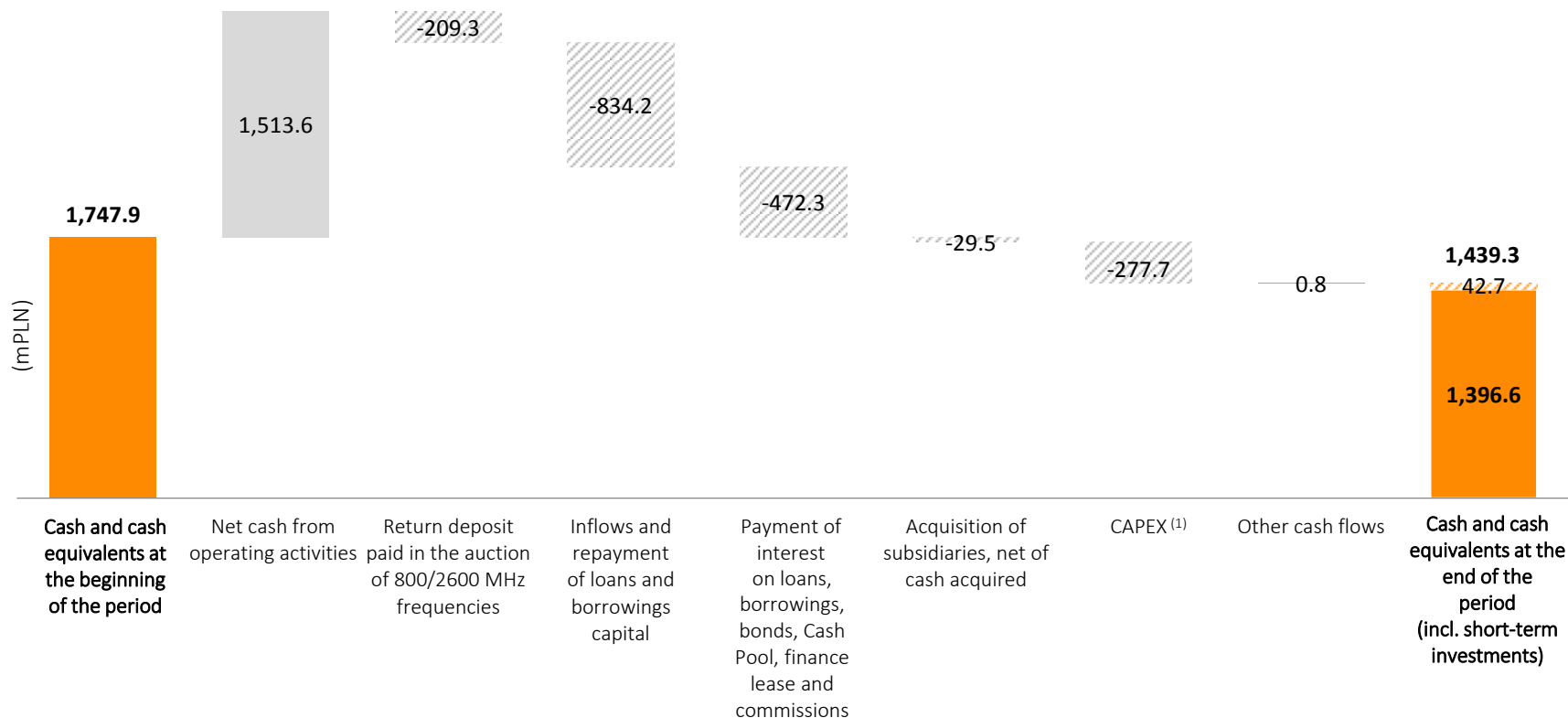
Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

Operating costs structure in Q2'15



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

Cashflow statement in H1'15



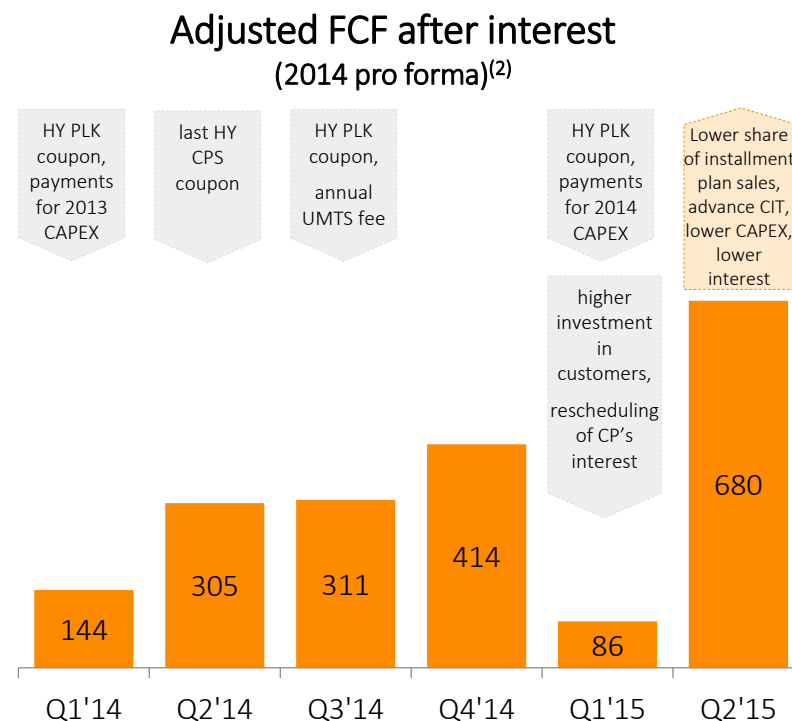
Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

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

Reconciliation of FCF after interest



mPLN	Q2'15
Net cash from operating activities	887
Net cash used in investing activities	-139
Payment of interest on loans, bonds, Cash Pool ⁽¹⁾	-114
FCF after interest	633
Return deposit paid in the auction of 800/2600 MHz frequencies	22
Acquisition of subsidiaries	25
Adjusted FCF after interest	680



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

Note: (1) Includes impact of hedging instruments, excludes early redemption costs and amounts paid for costs related to acquisition of financing; (2) Adjusted for transitory VAT settlements



The Group's debt as at 30 June 2015



mPLN	Carrying amount	Nominal value
Term Loan (PLN)	2,145	2,178
Revolving Loan	70	70
PLK Loan – Tranche A (PLN)	1,414	1,418
PLK Loan – Tranche B (PLN)	3,010	3,026
PLK Loan – Tranche C (PLN)	1,565	1,576
PLK Revolving Loan	0	0
Senior Notes PLK EUR ¹	2,778	2,276
Senior Notes PLK USD ²	2,284	1,882
Leasing	19	19
Cash and cash equivalents ³	1,440	1,440
Net debt	11,846	11,006
EBITDA LTM	3,621	3,621
Net debt / EBITDA LTM	3.3x	3.0x

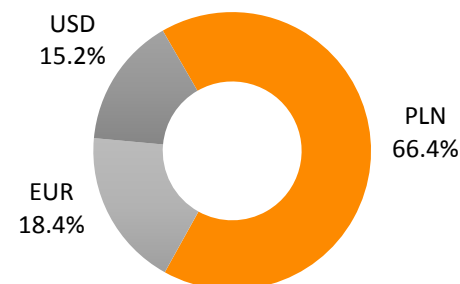
¹ Nominal value of PLK Senior Notes of EUR 542.5 m, as converted based on the average NBP exchange rate from 30 June 2015 of 4.1944 PLN/EUR. Carrying amount estimated to fair value at the moment of purchase of Metelem.

² Nominal value of PLK Senior Notes of PLK USD 500 m, as converted based on the average NBP exchange rate from 30 June 2015 of 3.7645 PLN/USD. Carrying amount estimated to fair value at the moment of purchase of Metelem.

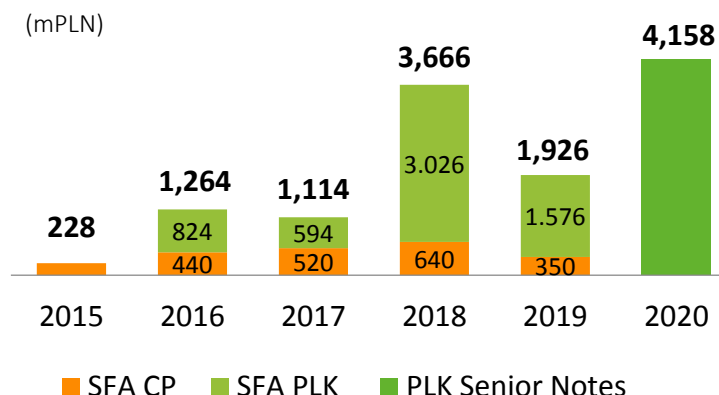
³ The item contains cash and cash equivalents, including restricted cash and short-term deposits.

⁴ Nominal value of debt, excl. RCF

Currency composition of our indebtedness⁴



Our debt maturing profile⁴

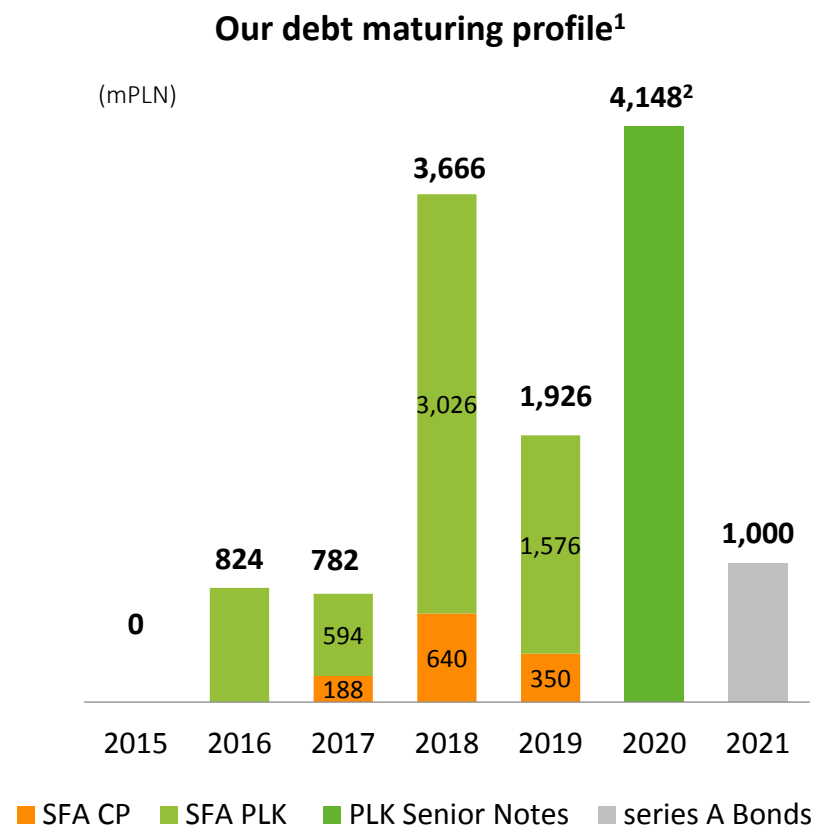


Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis



The Group's debt as at 24 August 2015

- As a result of the issue of Series A Bonds with a nominal value of PLN 1,000 each, which was carried out on 21 July, as well as thanks to the voluntary early repayment of the Term Loan in the amount of PLN 1bn, the structure of maturity of the Group's debt has changed after the balance sheet date
- The graphs present the structure of maturity of the debt as well as the currency structure of the Group's financial indebtedness as at 24 August 2015, expressed in nominal values, excluding the Revolving Loan



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

Nota: (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 August 24, 2015 of PLN/EUR 4.2390 and PLN/USD 3.6971, respectively

4. Q&A



5. Appendix



The Group's financial results in H1'15



mPLN	H1'15	YoY change
Revenue	4,798	94%
Operating costs ⁽¹⁾	2,947	98%
EBITDA	1,874	89%
EBITDA margin	39.0%	(1.1pp)
Net profit	475	106%

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

Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

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



Results of the segment of services to individual and business customers in H1'15



mPLN	H1'15	YoY change
Revenue	4,261	118%
Operating costs ⁽¹⁾	2,643	123%
EBITDA	1,640	112%
EBITDA margin	38.5%	(1.1pp)
Net profit	518	169%

- Excluding the effect of consolidation of Metelem, revenue grew at 5.4% primarily due to higher sales of telecommunication products
- Cost dynamics, excluding the impact of consolidation of Metelem, mainly driven by higher cost of data transmission due to the growth of the number of mobile Internet service users

Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

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



Results of the broadcasting and TV production segment in H1'15



mPLN	H1'15	YoY change
Revenue	629	6%
Operating costs ⁽¹⁾	395	6%
EBITDA	234	8%
EBITDA margin	37.2%	0.5pp
Net profit	190	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
- Growth of costs is associated with additional investments in the programming offer of TV4 as well as higher costs of licenses for sports events (in relation to the UEFA EURO 2016 Qualifiers)

Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

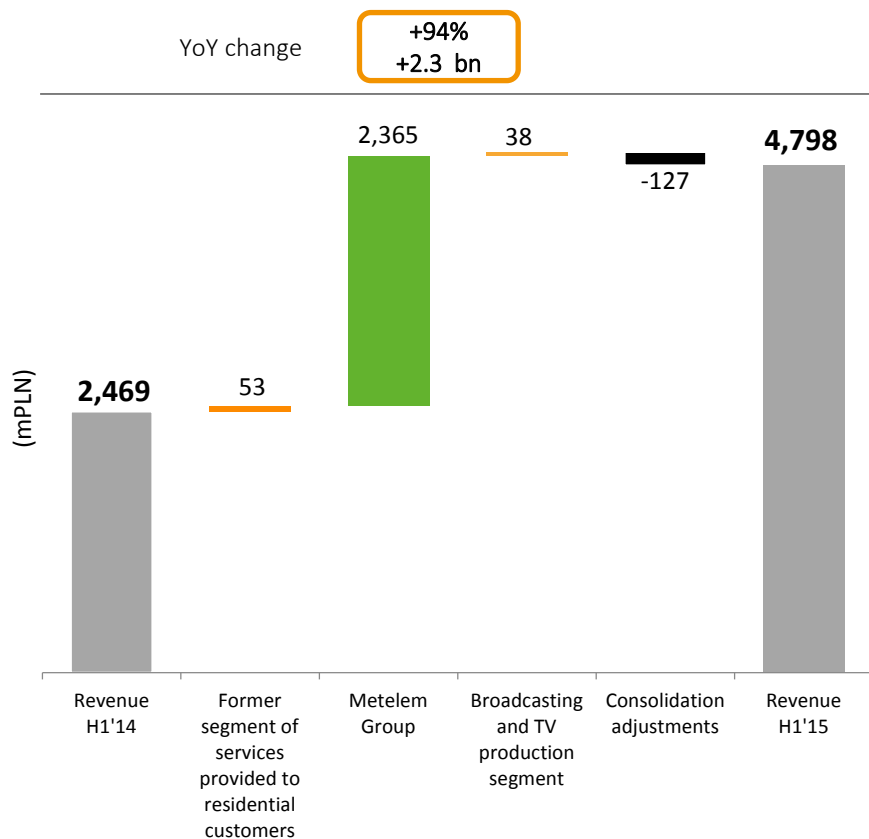
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



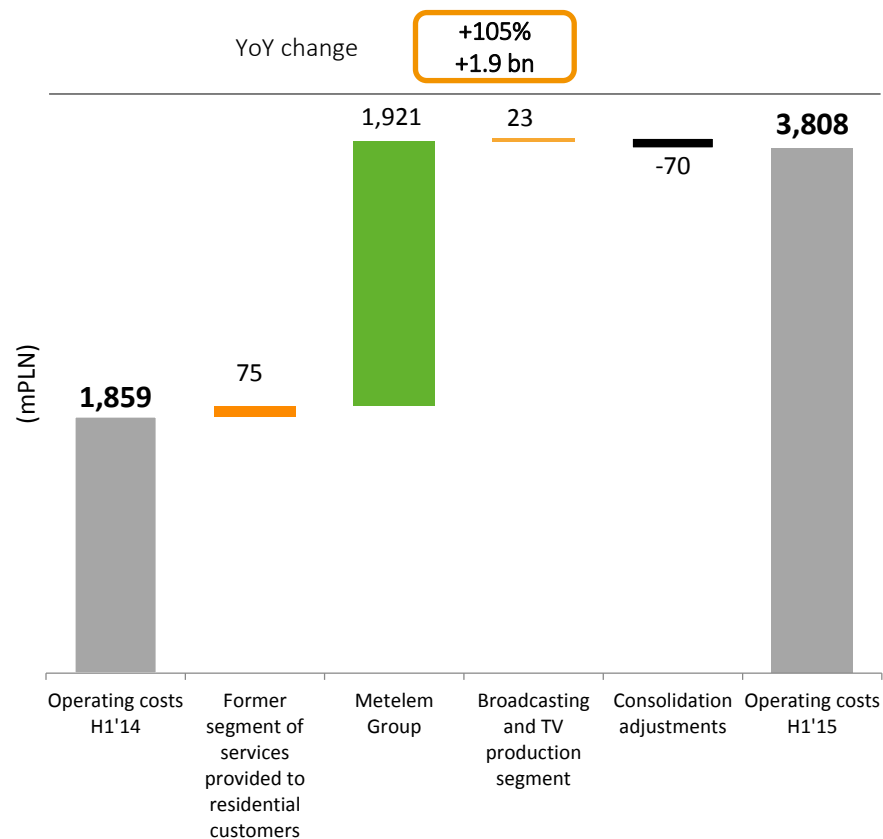
Revenue and costs – change drivers in H1'15



Revenue



Operating costs



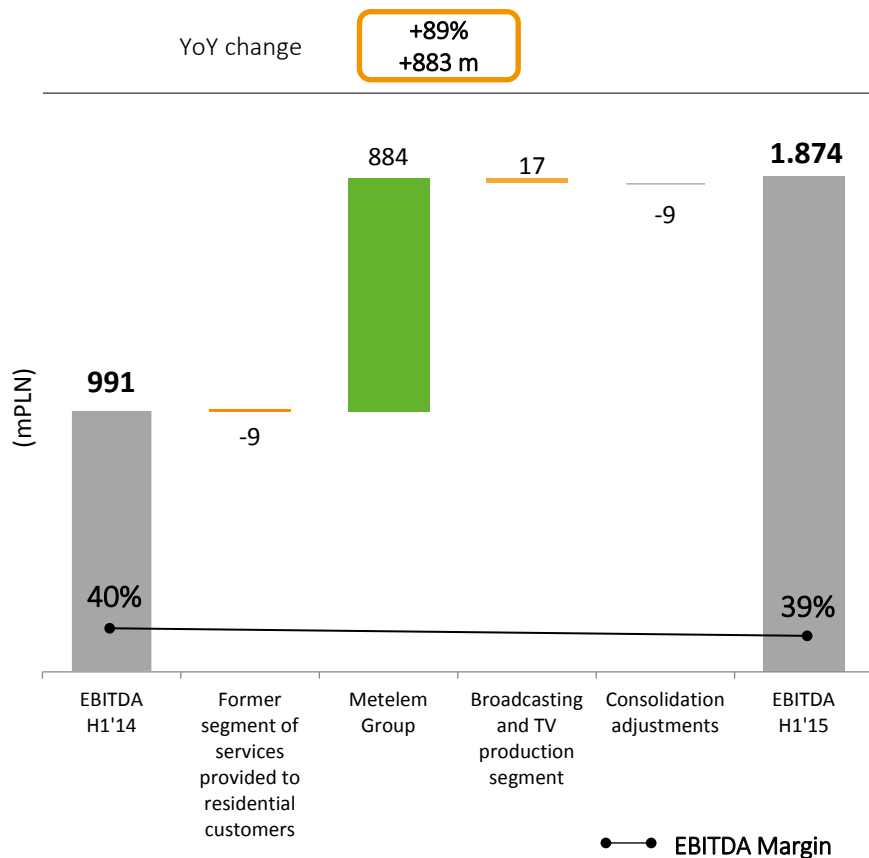
Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis



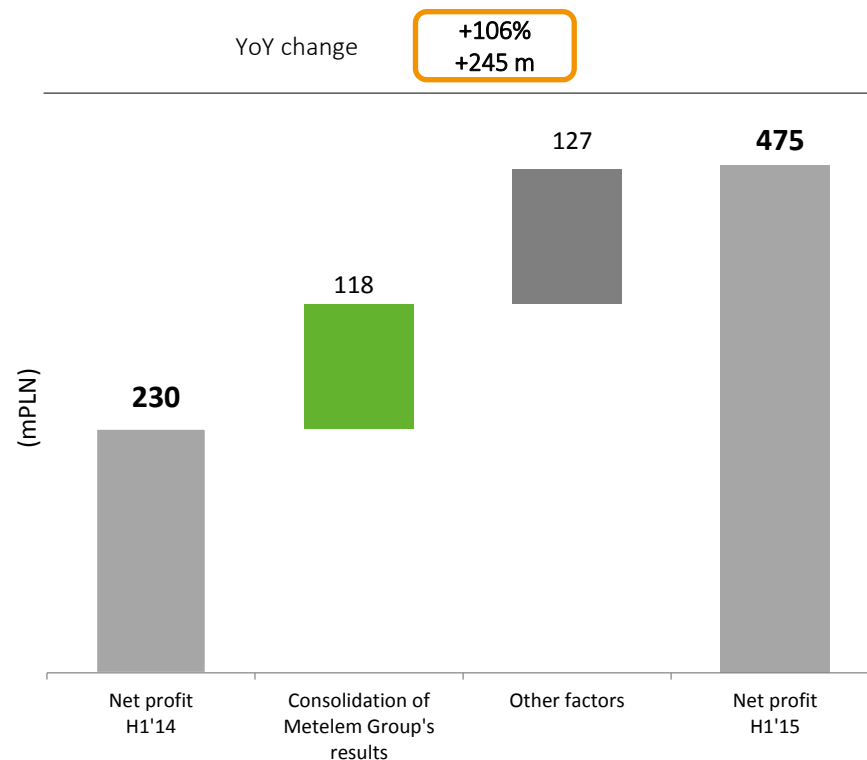
EBITDA and net profit – change drivers in H1'15



EBITDA



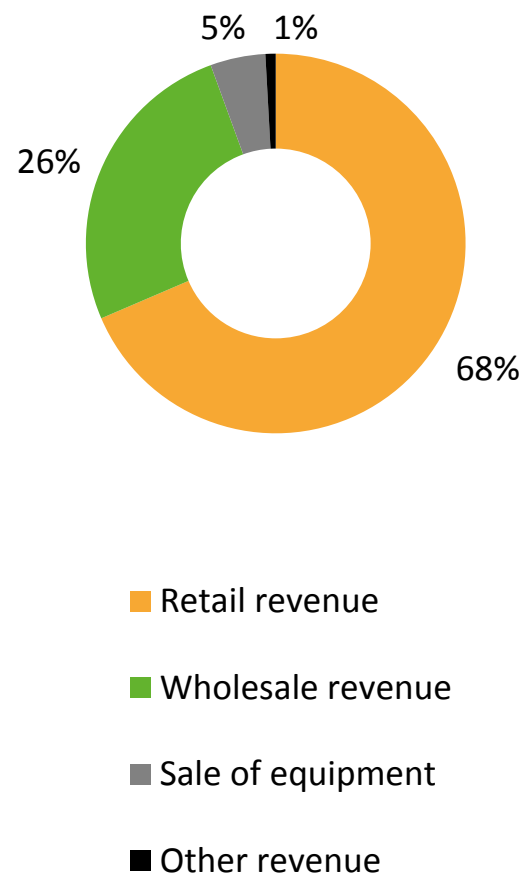
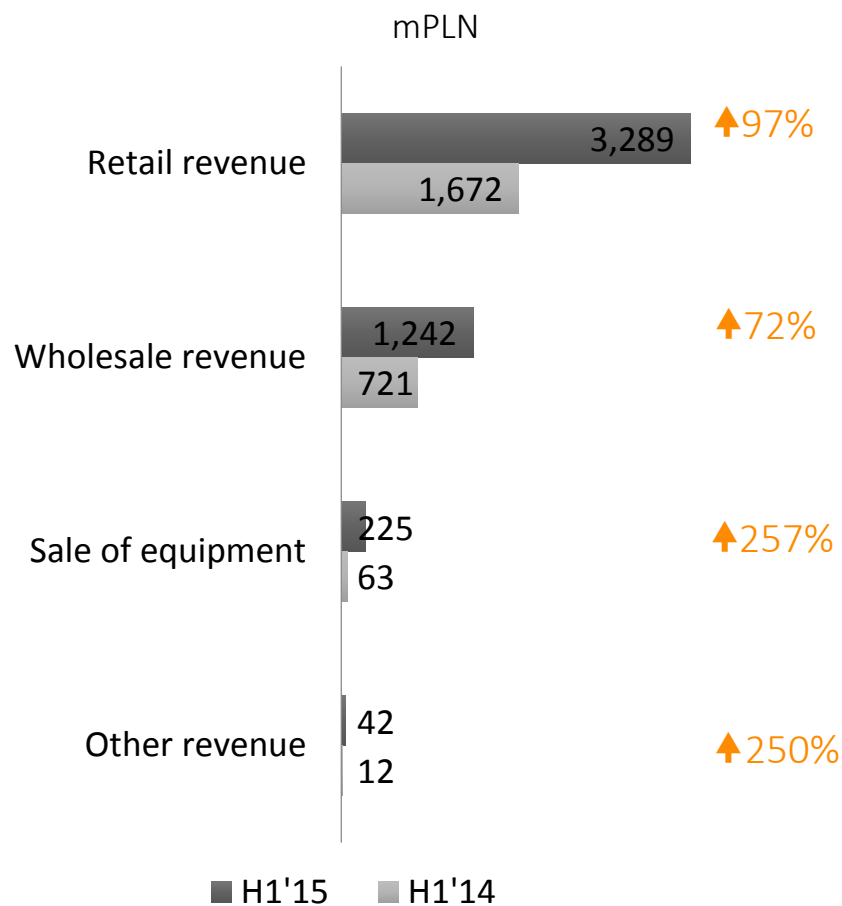
Net profit



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis



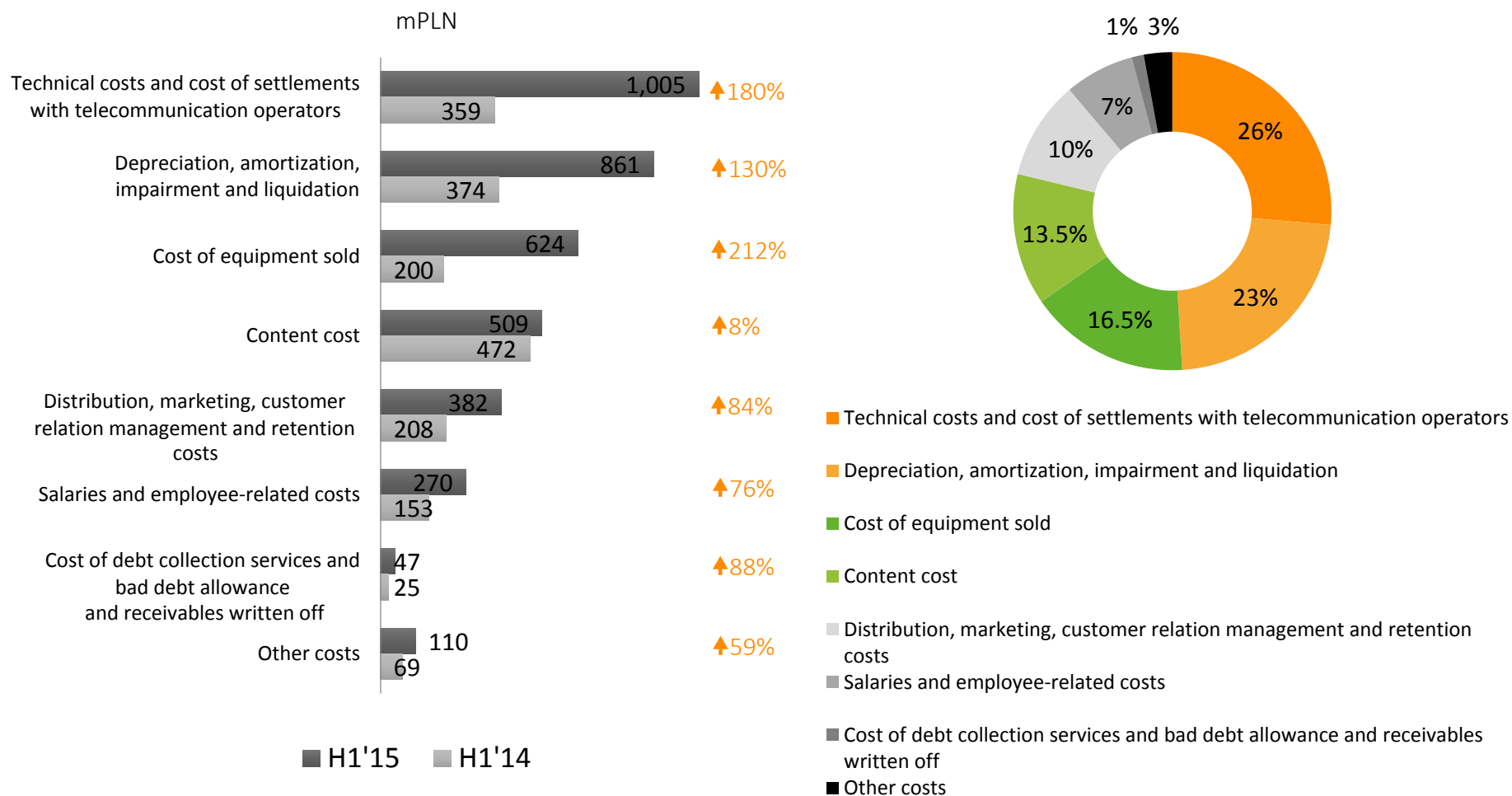
Revenue structure in H1'15



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

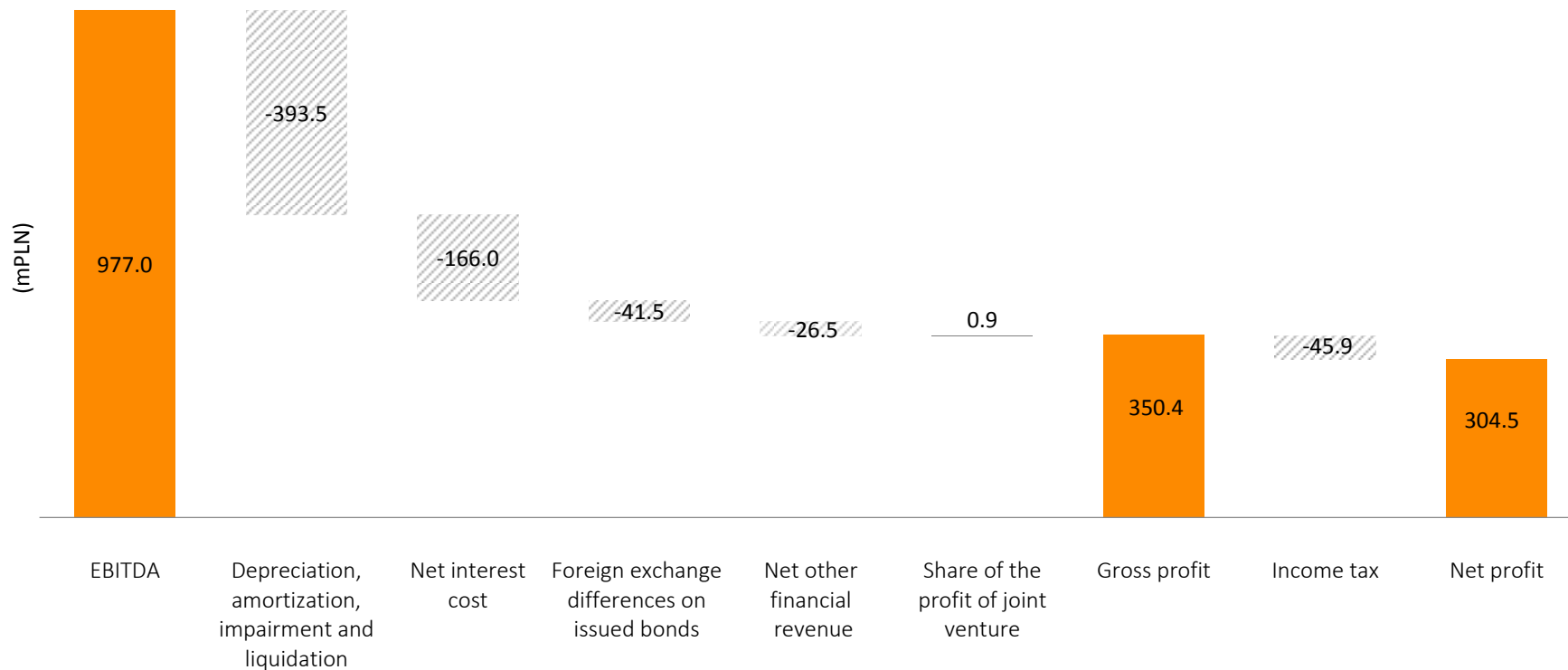


Operating costs structure in H1'15



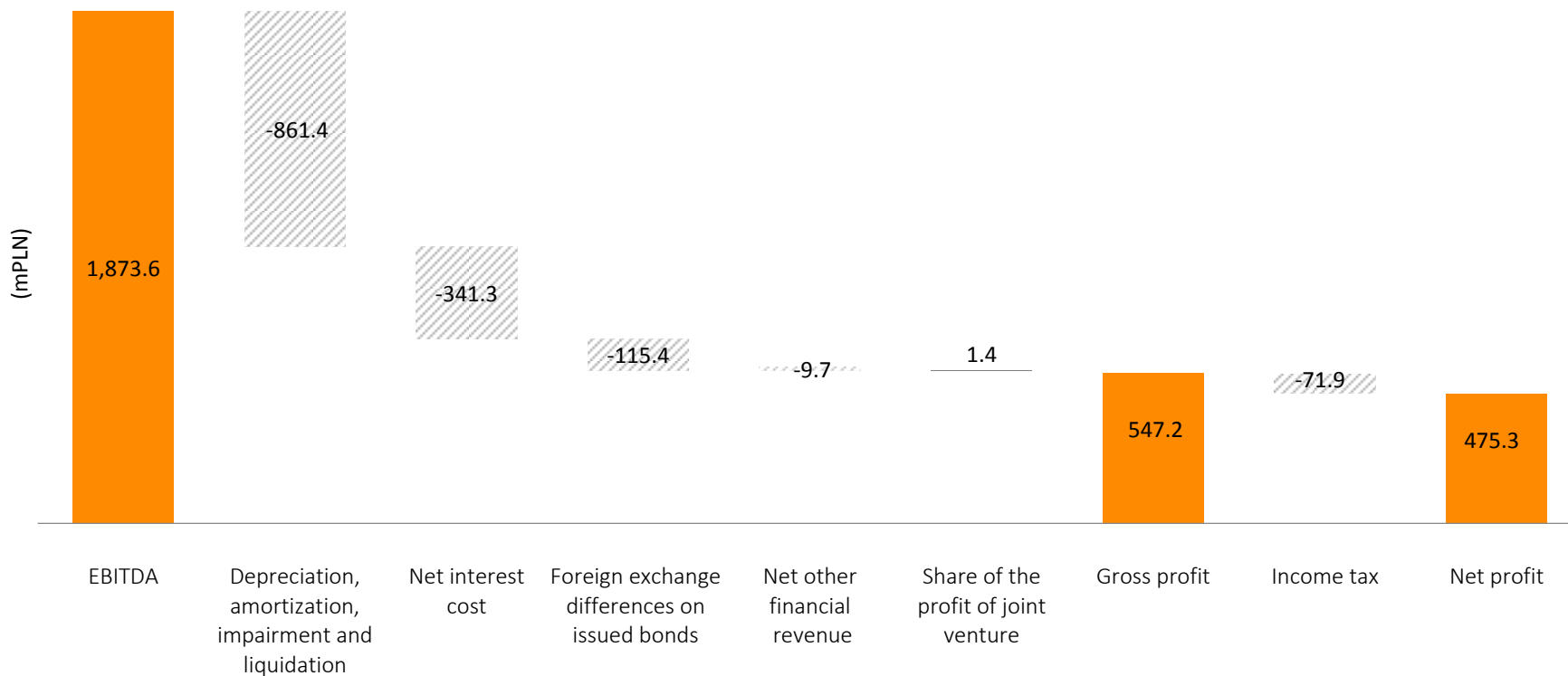
Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

Items below the EBITDA level in Q2'15



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 2015 and internal analysis

Items below the EBITDA level in H1'15



Source: Interim condensed consolidated financial statements for the 3 and 6 month periods ended 30 June 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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