



# Financial results

## Q3 2015

12 November 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.

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# 1. Keystone events

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**Tomasz Gillner-Gorywoda**

President of the Management Board, CEO

# Key facts in Q3'15



**5.9m**  
contract customers

**2.09** RGU  
per customer  
**PLN 88.1** ARPU  
per customer

**25.2%**  
audience share

**16.4m** RGU

**12.4m** contract services

**4.0m** prepaid services



**10.2m** telephony

**4.5m** pay TV

**1.7m** Internet

**27.6%**  
ad market share



# Key facts in Q3'15



**PLN 2,415m**  
Revenue

**PLN 930m**  
EBITDA  
**38.5%** EBITDA margin

**PLN 208/1,388m**  
FCF (Q3'15/LTM)

**2.98x**  
Net debt/EBITDA<sup>(1)</sup>

Note: (1) based on nominal value



# Key events (1)



## Corporate events

- Refinancing of Term Facility Loans
  - new facility agreements closed in September
  - drawing of PLN 6.7bn under the new agreements
  - total repayment of the previous CP/PLK credit facilities
- Upgrade of S&P ratings for the CP Group companies to the BB+ level
- Announcement of the auction results for the reservation of 800 MHz and 2600 MHz bandwidth frequencies

# Key events (2)



## Products and services

- New edition of the smartDOM program reintroducing our tested and simple promotional mechanism – „second product for half price, third even for PLN 1”
- New and improved LTE Internet offer
- Innovative telemedicine program „Ja + Zdrowie” (pol. „I & my Health”)
- 16 additional HD standard channels in CP offer (increase to over 60 channels in total) resulting from switching over to the latest MPEG-4 compression standard
- Excellent viewership figures of Polsat TV channels
- Commissioning of a new studio for Polsat Group production of TV shows





## 2. Operations Report



## 2.1 Services to individual and business customers

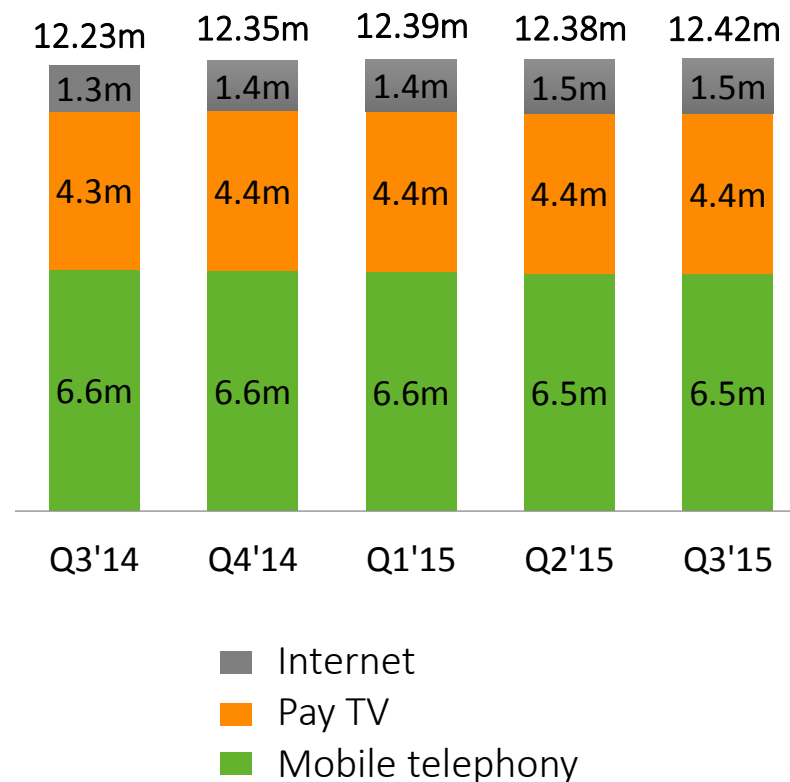
**Tomasz Gillner-Gorywoda**

President of the Management Board, CEO

# Consistent building of contract service base



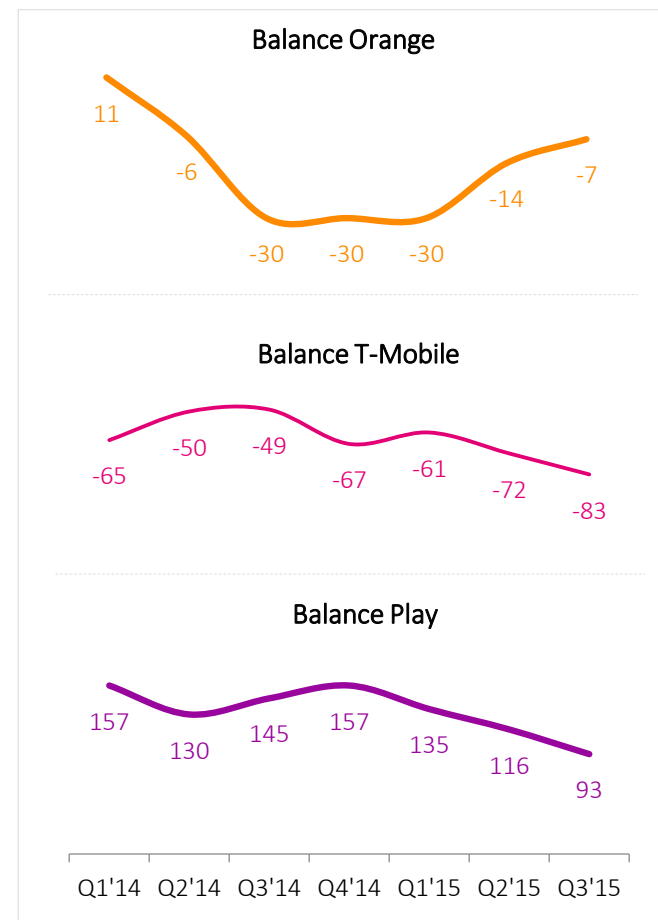
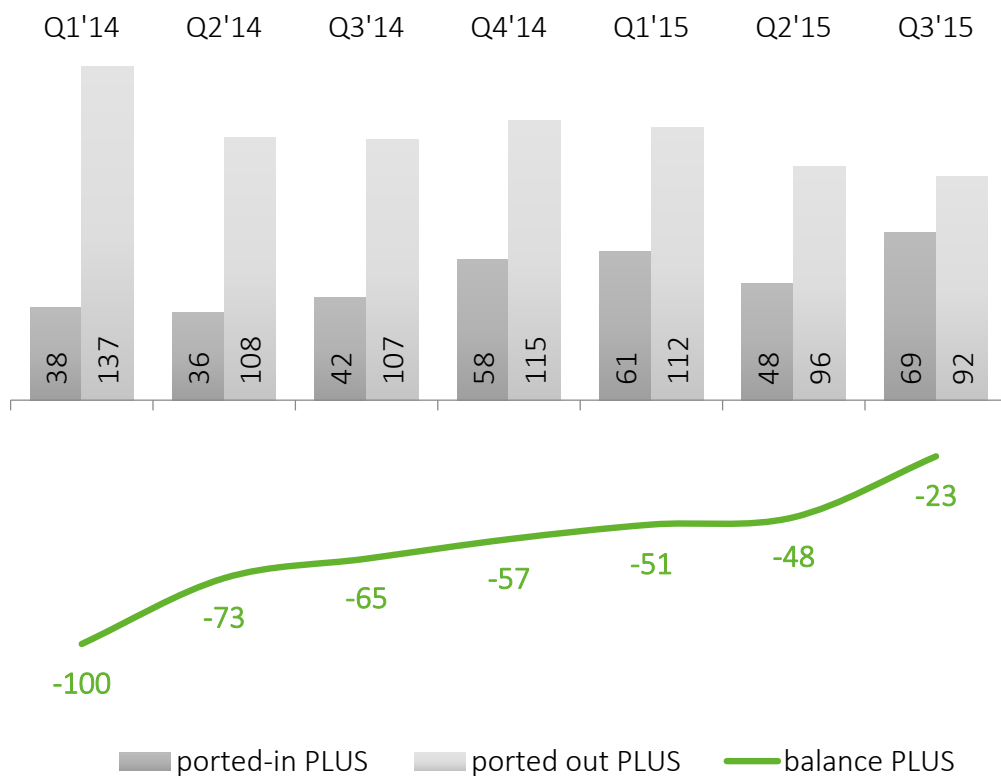
- Growth of our total contract service base by 42K (q/q)
- Further growth of mobile Internet RGUs supported by broader LTE coverage
- Return to the growth of pay TV RGUs
- Visible slowdown of the price erosion on the mobile telephony market, leading to the stabilization of the voice service customer base
- Most favorable MNP balance over the last 6 years



# Most favorable MNP balance over the last 6 years



Number portability to/from Plus network (thou.)



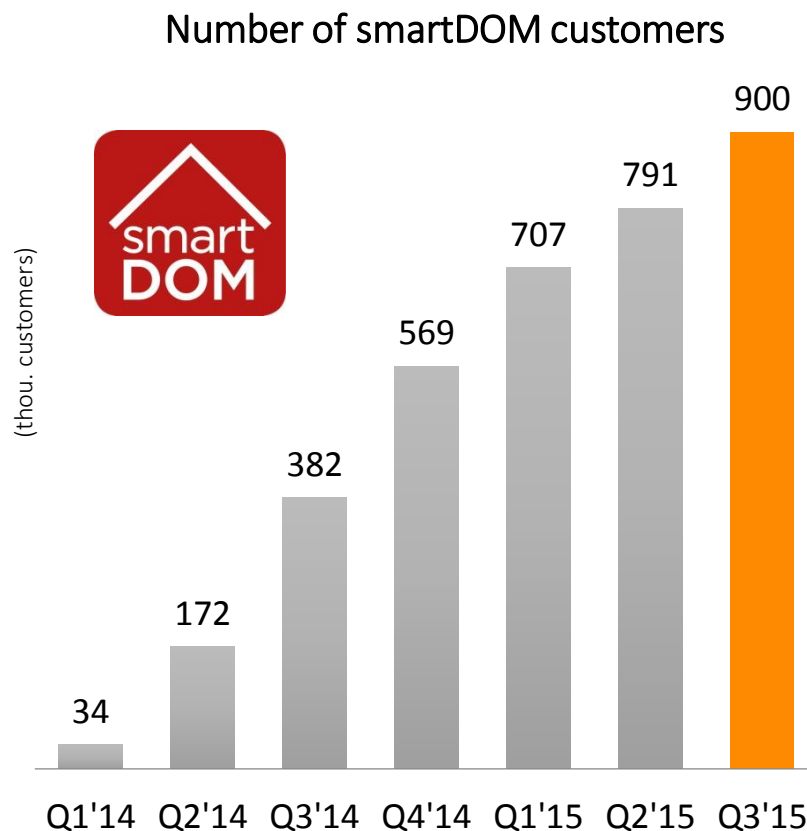
Source: MNPs interpreter interface of Location and Information Platform with the Central Database of UKE (Office of Electronic Communications)



# Dynamic growth of multiplay customers



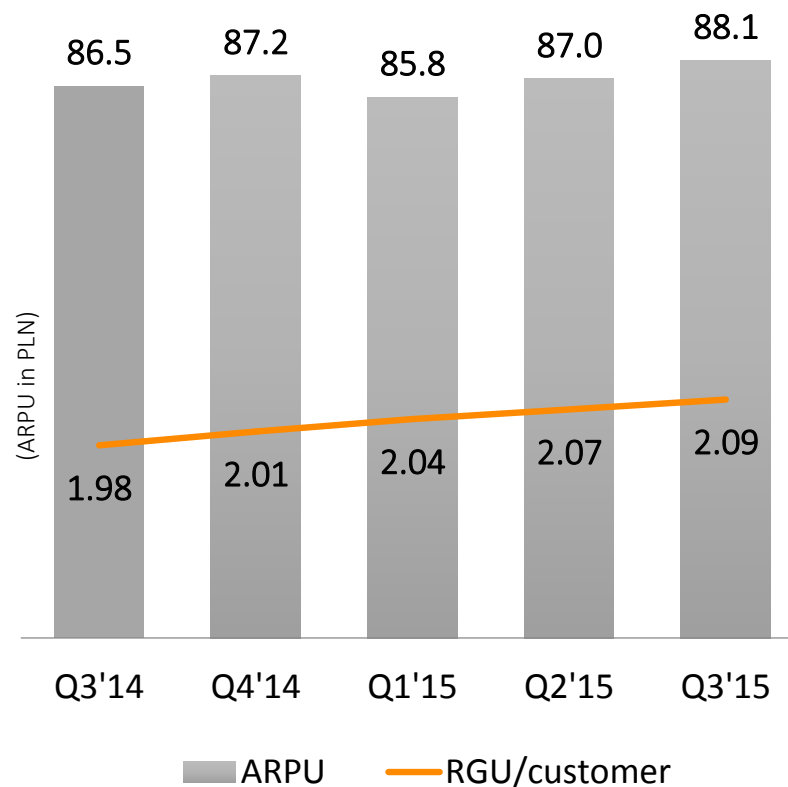
- As many as 15% of our customers already use multiplay offer, which should also have a positive impact on their provider loyalty in the future
- Total number of RGUs contracted by this group of customers exceeds 2.7m
- The goal of 1 million smartDOM customers by the end of 2015 will be achieved



# Effective building of ARPU per customer



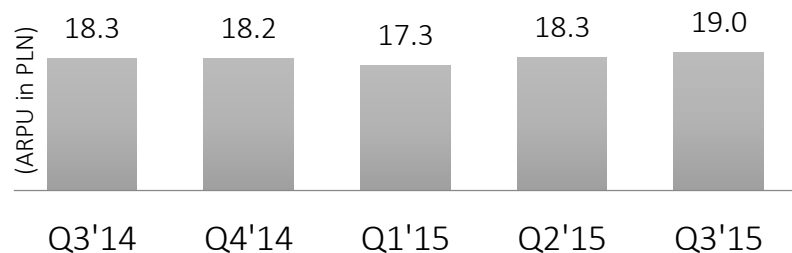
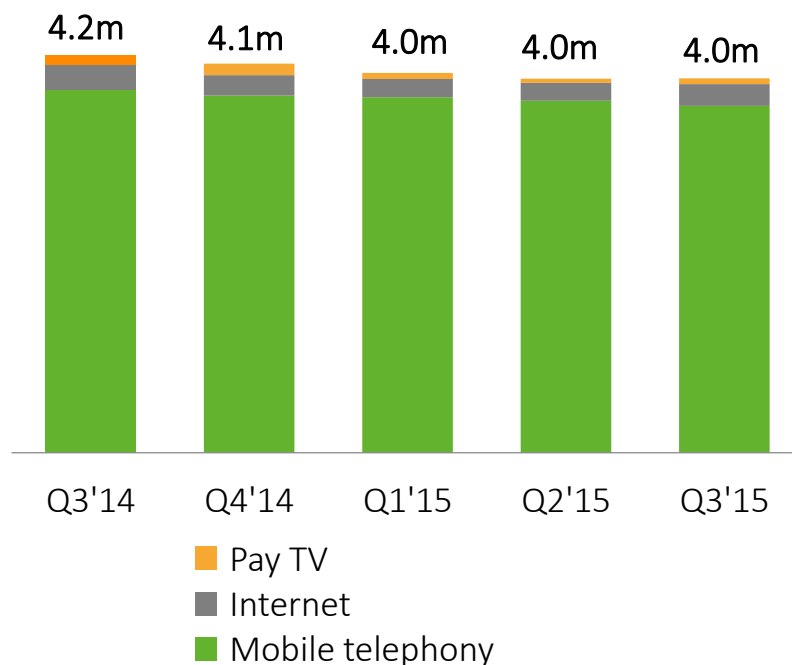
- Consistent execution of our strategy, resulting in the increased saturation of the customer base with contract services
- Visible growth of ARPU per customer to PLN 88.1 as a result of upselling additional products and services, mainly attributed to our smartDOM offer
- The process of migration of customers to unlimited tariffs is nearly completed. This combined with recent reduction of the price pressure suggests positive prospects for the future



# Prepaid – stable base and further ARPU growth



- Value of the prepaid services market back on the growth path as a result of a long-term price stability in this segment
- Growth of data consumption by smartphones and higher volumes of exchanged traffic are positively reflected in the level of ARPU
- ARPU of our customers continues to grow at the rate of 3.8% YoY

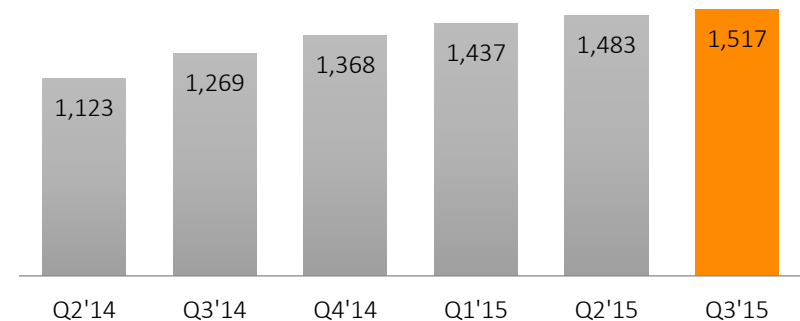


# Leader of the mobile Internet market

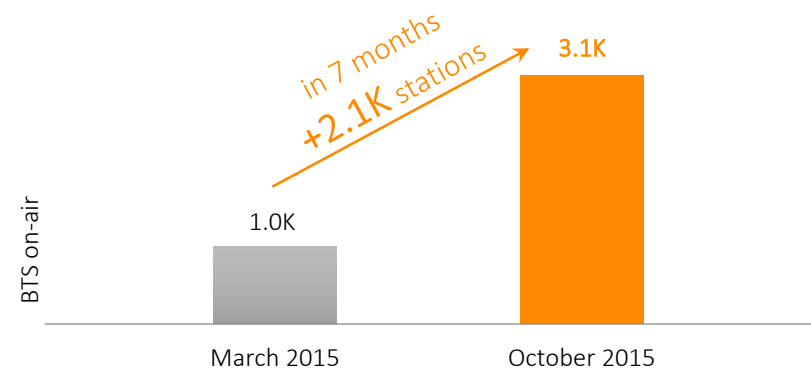


- Already 3.1K base stations operate in the LTE800 technology, providing Plus and CP customers with the broadest LTE coverage in Poland
- The number of contract customers of mobile Internet exceeded 1.5m
- In September 2015, a total of 5.1m cards<sup>(1)</sup> logged in our network and actively used data transmission
- In Q3'15 our customers consumed nearly 58m GBs through Midas network
- Total LTE network coverage exceeds 92%; Together with Midas Group we are currently launching on average 10 new LTE800 stations daily

Growth of the base of contract Internet RGUs



Rapid expansion of the LTE800



Note: (1) Including Internet RGUs in the contract model, as well as other SIM cards for which data transfer exceeded 1MB in a given month





## 2.2 Broadcasting and TV production segment

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**Maciej Stec**

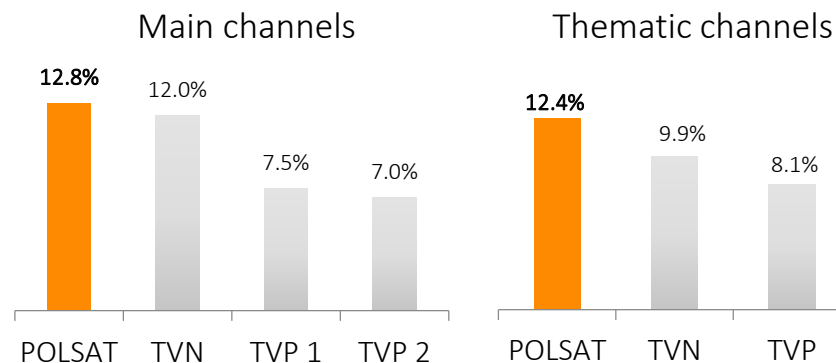
Member of the Management Board

# Viewership of our channels in Q3'15

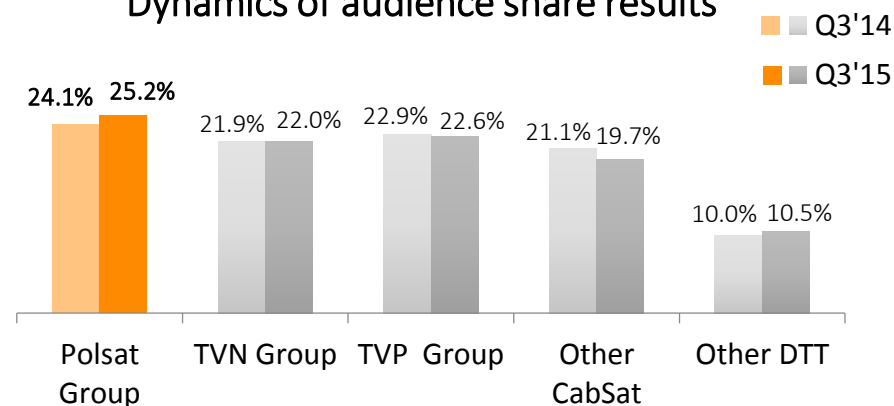


- Polsat's main channel and Polsat Group are the viewership leaders in the commercial group
- Very positive effect of programming investments made in TV4 and TV6 channels

## Audience shares



## Dynamics of audience share results



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

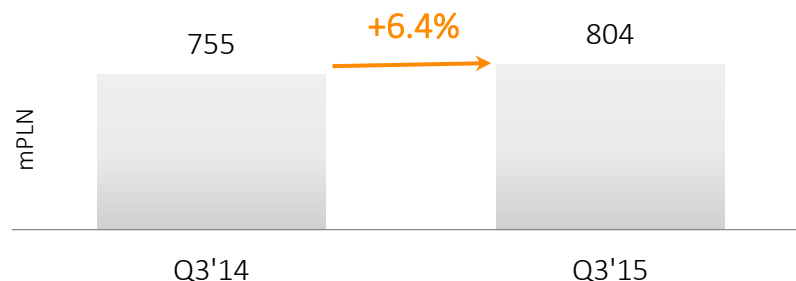


# Position on the advertising market in Q3'15

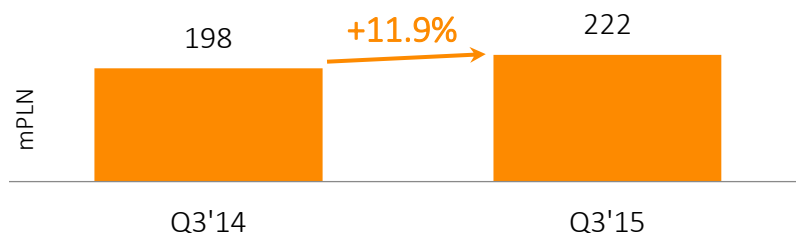


- TV advertising and sponsorship market in Q3'15 increased YoY by 6.4%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew significantly faster than the market
- Our share in the TV advertising market increased to 27.6%

Market expenditures on TV advertising and sponsorship



Revenue from advertising and sponsorship of TV Polsat Group<sup>(1)</sup>



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

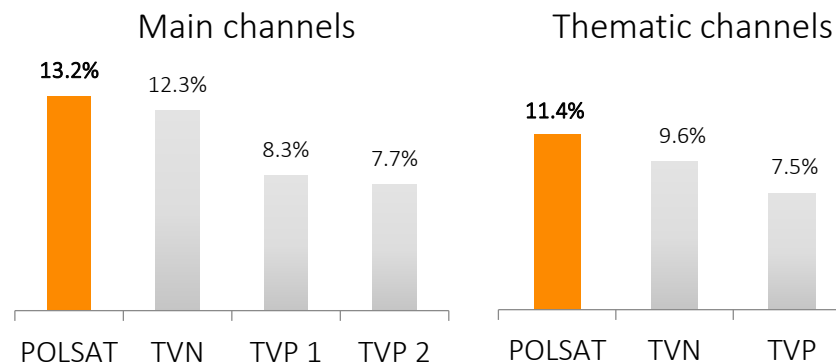


# Viewership of our channels in 9M'15

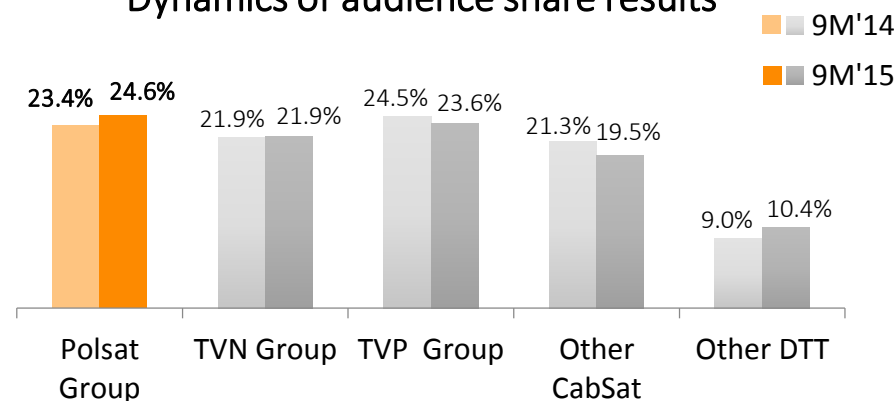


- Polsat's main channel and thematic channels are the viewership leaders in the commercial group
- Polsat Group viewership in line with the strategy

## Audience shares



## Dynamics of audience share results



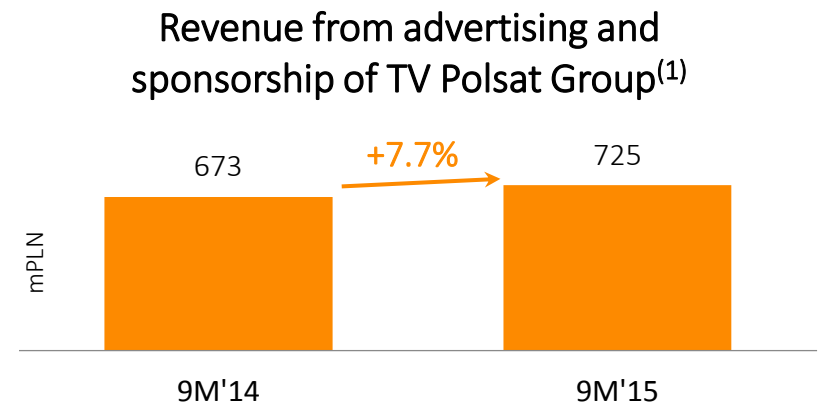
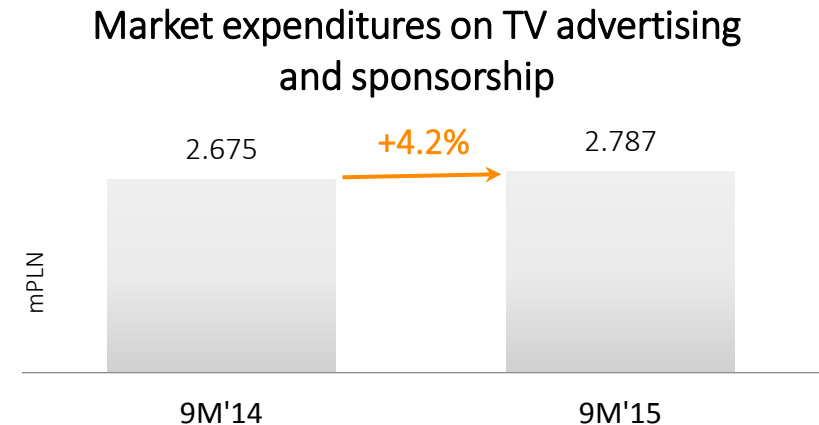
Source: NAM, All 16-49, all day, SHR%; internal analysis



# Position on the advertising market in 9M'15



- TV advertising and sponsorship market in 9M'15 increased YoY by 4.2%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising market increased to 26.0%
- We maintain our expectations on the middle single-digit increase of the TV advertising market in 2015



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 Q3'15



mPLN	Q3'15	YoY change
Revenue	2,415	0%
Operating costs <sup>(1)</sup>	1,499	(1%)
EBITDA	930	2%
EBITDA margin	38.5%	0.9pp
Net profit	502	945%

- Stable revenue and decrease in operating costs resulting in an increase in EBITDA by PLN 20m and an increase in EBITDA margin to almost 39%
- Net profit influenced by a number of non-cash one-off events related to the refinancing of debt of the capital group

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 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 Q3'15



mPLN	Q3'15	YoY change
Revenue	2,174	1%
Operating costs <sup>(1)</sup>	1,344	1%
EBITDA	844	1%
EBITDA margin	38.8%	0.1pp

- Increase in revenue due mainly to an increase in wholesale revenue and equipment sales
- Operating costs under control. The increase of technical costs and cost of settlements with telecommunication operators compensated by a decrease of cost of equipment sold
- Consequently, EBITDA growth by PLN 7m

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis

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





# Results of the broadcasting and TV production segment in Q3'15



mPLN	Q3'15	YoY change
Revenue	283	-10%
Operating costs <sup>(1)</sup>	198	-19%
EBITDA	86	17%
EBITDA margin	30.4%	7.1pp

- Increase of adjusted revenue by 14%<sup>(2)</sup> mainly due to the monetization of higher audience shares of Polsat Group channels
- Growth of adjusted costs by 15%<sup>(2)</sup> associated with additional investments in the programming offer of TV4 as well as higher costs of amortization of film and sports licenses (in relation to the UEFA EURO 2016 Qualifiers)
- Dynamic growth of reported EBITDA by PLN 13m and EBITDA margin to over 30%

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis

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

(2) One-off in Q3'14: FIVB World Championship



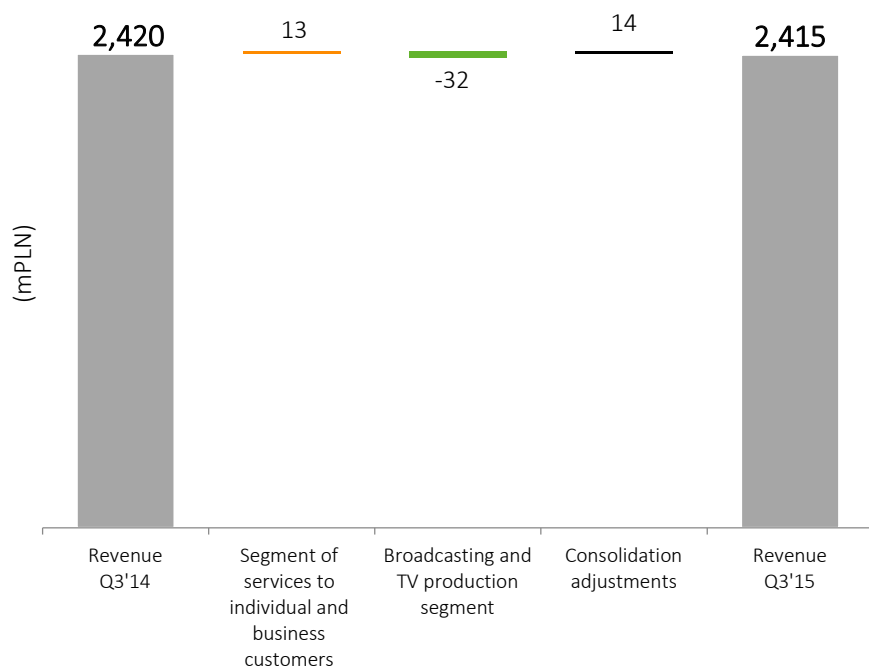
# Revenue and costs – change drivers in Q3'15



## Revenue

YoY change

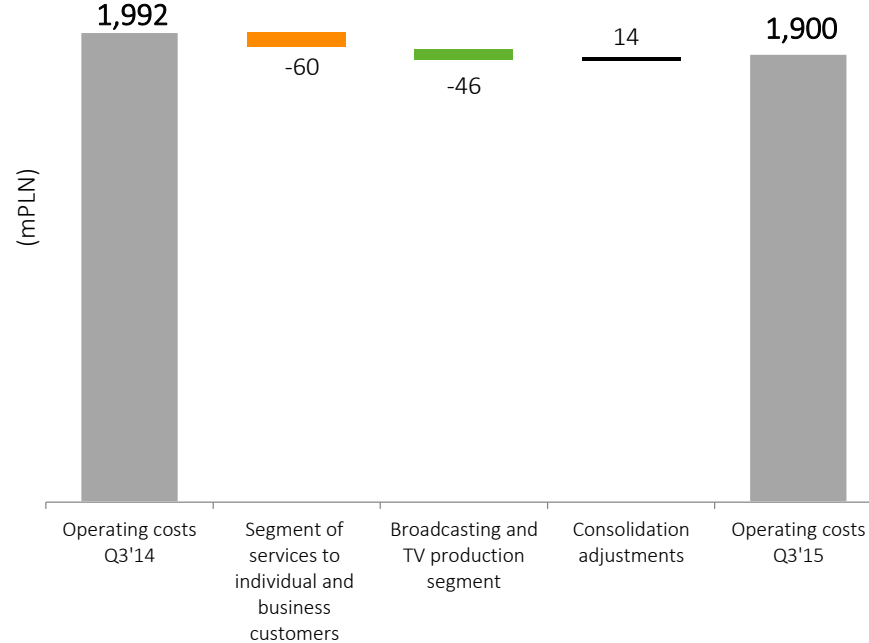
0%  
-5m



## Operating costs

YoY change

-5%  
-92m



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



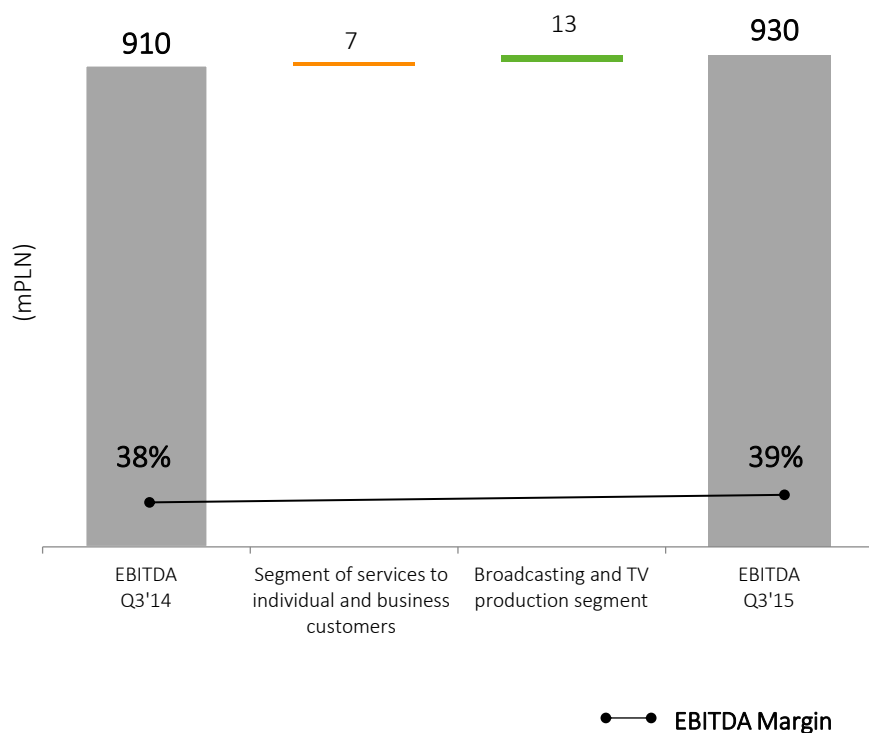
# EBITDA and net profit – change drivers in Q3'15



## EBITDA

YoY change

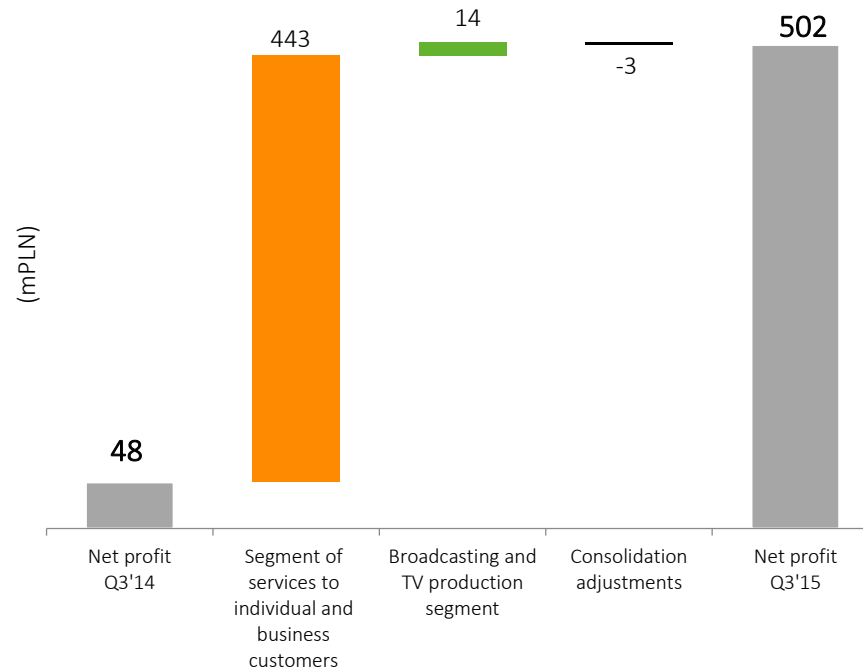
**+2%**  
**+20m**



## Net profit

YoY change

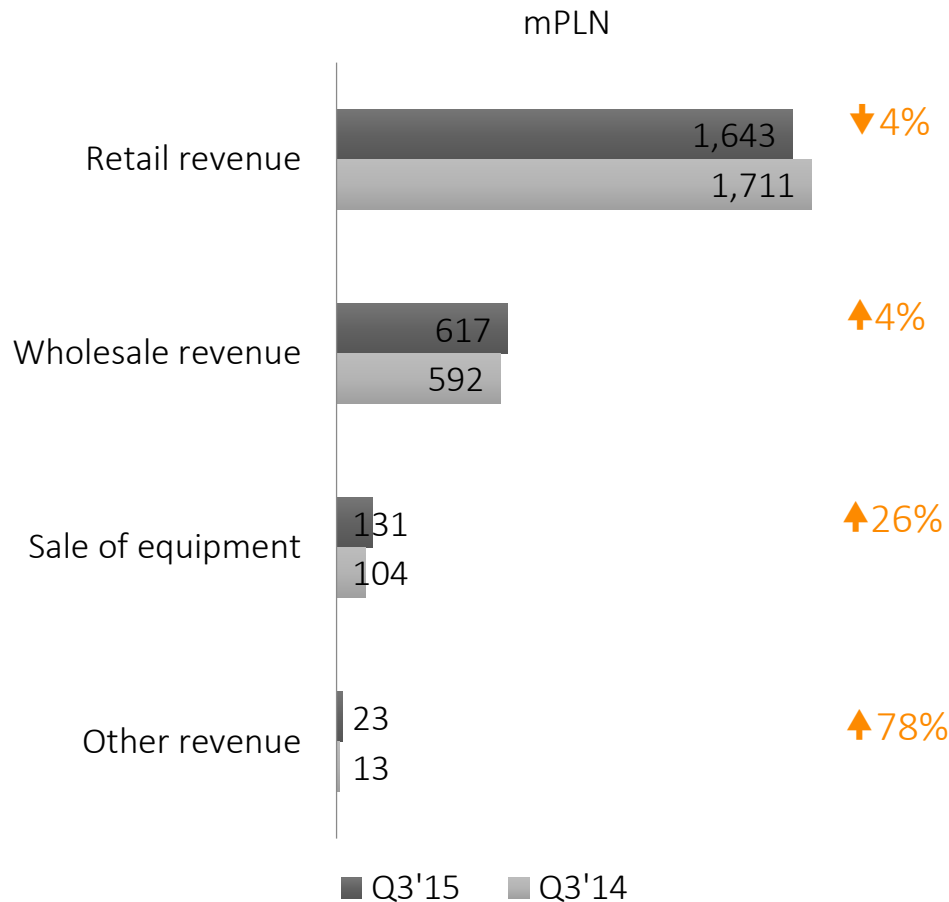
**+945%**  
**+454m**



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



# Revenue structure in Q3'15

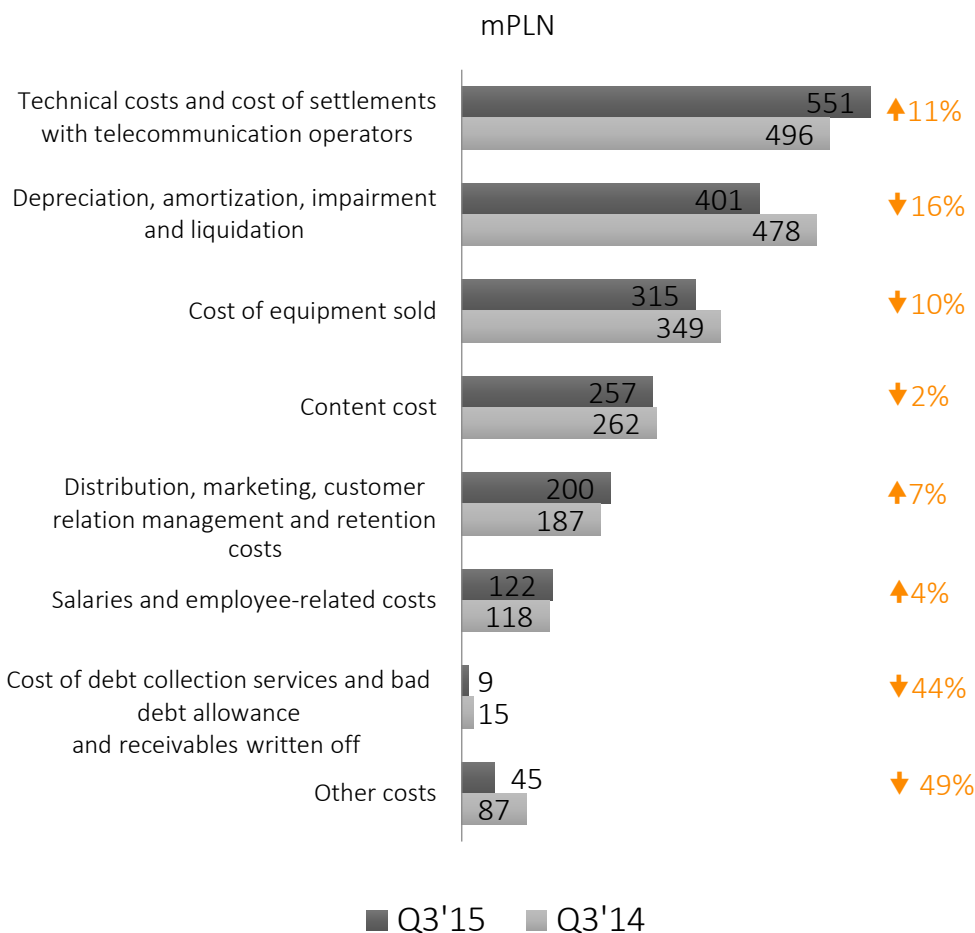


- Lower revenue from mobile telephony services partially mitigated by revenue growth from mobile Internet and pay TV services
- Increase in wholesale revenue primarily due to significantly higher advertising revenue of TV Polsat, as well as to the growth of revenue from Interconnect and the lease of telecom infrastructure
- Higher revenue from equipment sales as a result of i.a. a growing share of installment plan sales among transactions with equipment, which translates into an increase in unit revenue per transaction

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



# Operating costs structure in Q3'15

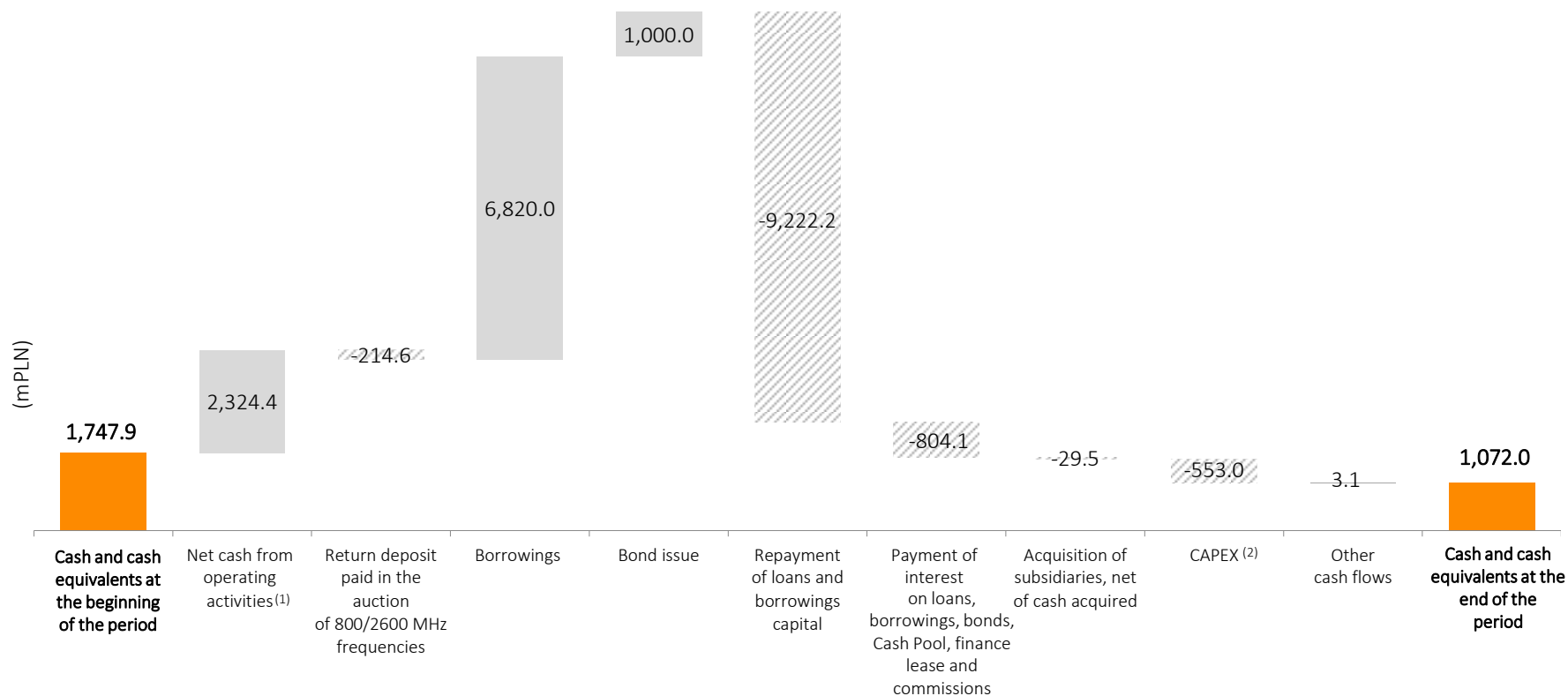


- Increase in technical costs due to increased costs of data transfer within our broadband Internet access service and rising costs of Interconnect
- Decrease in depreciation, amortization, impairment and liquidation as a result of lower costs of amortization of frequency licenses in the 1,800 MHz spectrum and depreciation of the telecommunication infrastructure
- Lower cost of equipment sold mainly due to a lower volume of contracts for telecommunication services with equipment concluded in Q3'15
- Increase in distribution, marketing, customer relation management and retention costs due to a higher amount of deferred distribution fees being charged to costs, which was partially compensated by more efficient cost control in the areas of customer service and retention
- Decrease in other costs mainly due to the recognition in the corresponding period of 2014 of sales of marketing and broadcasting rights to the FIVB Volleyball Men's World Championship Poland 2014

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



# Cashflow statement in 9M'15



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis

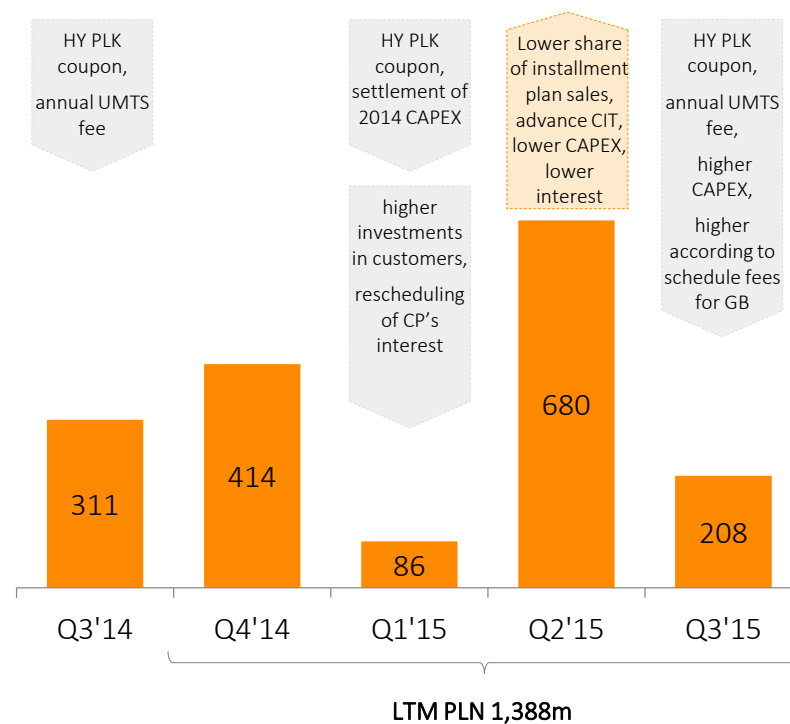
Note: (1) Including return deposit paid in the auction of 800/2600 MHz frequencies

(2) Including payment for the UMTS license, excluding expenditures on set-top-boxes leased to customers

# Reconciliation of FCF after interest

mPLN	Q3'15	9M'15
Net cash from operating activities	806	2,110
Net cash used in investing activities	-229	-576
Payment of interest on loans, bonds, Cash Pool <sup>(1)</sup>	-332	-804
<b>FCF after interest</b>	<b>245</b>	<b>729</b>
Return deposit paid in the auction of 800/2600 MHz frequencies	5	215
Short-term deposits	-43	-
Acquisition of subsidiaries	-	30
<b>Adjusted FCF after interest</b>	<b>208</b>	<b>974</b>

## Adjusted FCF after interest<sup>(2)</sup>



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 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 September 2015



mPLN	Carrying amount	Nominal value
CP Term Loan	1,187	1,200
CP Revolving Loan	0	0
PLK Term Loan	5,421	5,500
PLK Revolving Loan	0	0
Obligacje serii A	1,006	1,000
Senior Notes PLK EUR <sup>1</sup>	2,509	2,299
Senior Notes PLK USD <sup>2</sup>	2,057	1,888
Leasing	26	26
Cash and cash equivalents <sup>3</sup>	1,072	1,072
<b>Net debt</b>	<b>11,134</b>	<b>10,841</b>
EBITDA LTM	3,641	3,641
<b>Net debt / EBITDA LTM</b>	<b>3.06x</b>	<b>2.98x</b>

<sup>1</sup> Nominal value of PLK Senior Notes of EUR 542.5 m, as converted based on the average NBP exchange rate from 30 Sep. 2015 of 4.2386 PLN/EUR. Carrying amount estimated at fair value at the moment of purchase of Metelem.

<sup>2</sup> Nominal value of PLK Senior Notes of PLK USD 500 m, as converted based on the average NBP exchange rate from 30 Sep. 2015 of 3.7754 PLN/USD. Carrying amount estimated at fair value at the moment of purchase of Metelem.

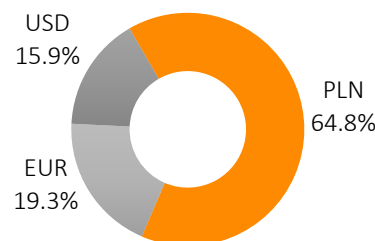
<sup>3</sup> The item contains cash and cash equivalents, including restricted cash and short-term deposits.

<sup>4</sup> Nominal value of debt, excl. CP and PLK Revolving Loans

<sup>5</sup> 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 September 30, 2015 of PLN/EUR 4.2386 and PLN/USD 3.7754, respectively. In connection with the process of refinancing, which assumes the redemption of the PLK Senior Notes at the turn of January and February of 2016, indebtedness under the PLK Senior Notes is presented as current liabilities from issued bonds in the consolidated balance sheet as at September 30, 2015.

## Currency composition of our indebtedness

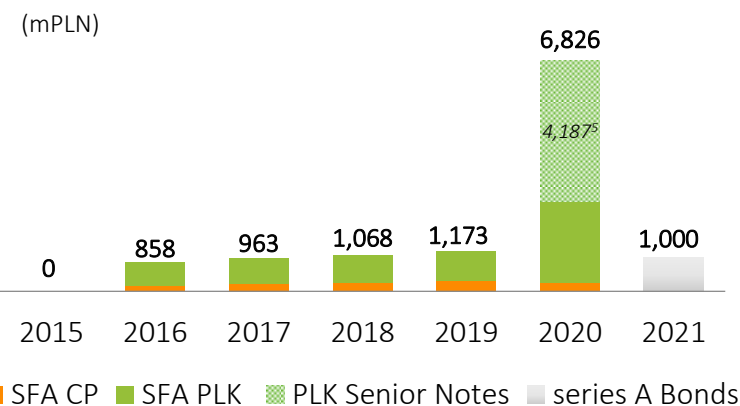
As of 30 Sep. 2015<sup>(4)</sup>



After completion of refinancing




## Our debt maturing profile<sup>4</sup>





## 4. Q&A



# 5. Appendix



# The Group's financial results in 9M'15



mPLN	9M'15	YoY change
Revenue	7,213	48%
Operating costs <sup>(1)</sup>	4,446	48%
EBITDA	2,804	47%
EBITDA margin	38.9%	0.0pp
Net profit	978	251%

- 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 9 month periods ended 30 September 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 9M'15



mPLN	9M'15	YoY change
Revenue	6,435	56%
Operating costs <sup>(1)</sup>	3,987	59%
EBITDA	2,484	54%
EBITDA margin	38.6%	(0.5pp)

- 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 9 month periods ended 30 September 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 9M'15



mPLN	9M'15	YoY change
Revenue	913	1%
Operating costs <sup>(1)</sup>	593	(4%)
EBITDA	320	10%
EBITDA margin	35.1%	3.1pp

- Increase of adjusted revenue by 9%<sup>(2)</sup> mainly due to the monetization of higher audience shares of Polsat Group channels and higher revenue from fees
- Growth of adjusted costs by 9%<sup>(2)</sup> associated with additional investments in the programming offer of TV4 as well as higher costs of exploitation of film and sports licenses (in relation to the UEFA EURO 2016 Qualifiers)

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis

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

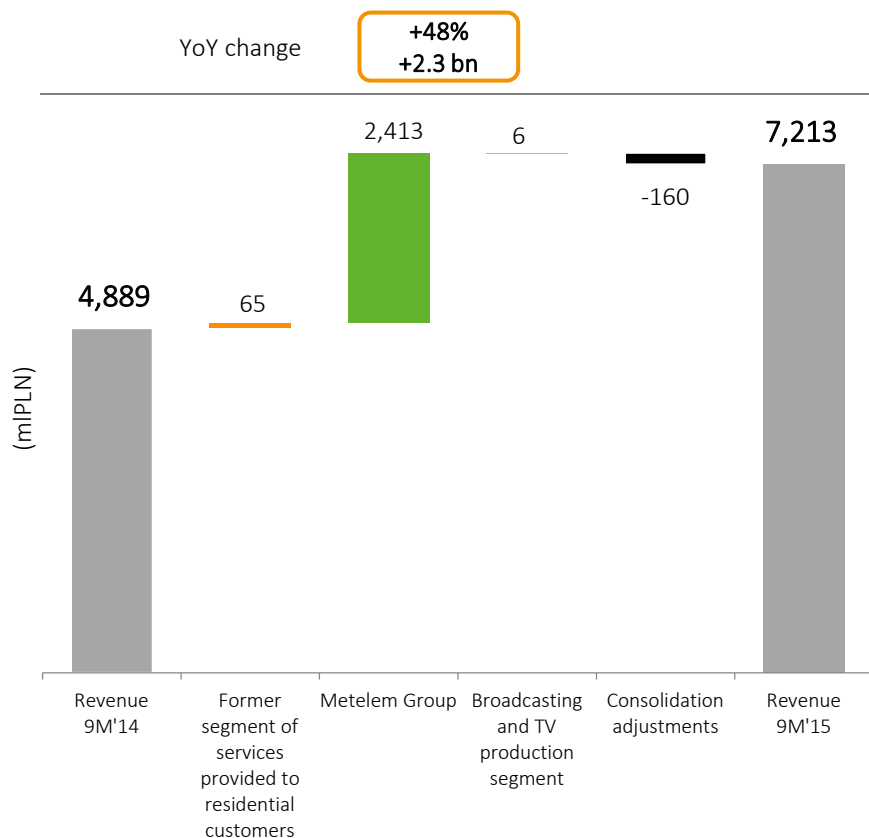
(2) One-off event in 9M'15 – FIVB World Championship



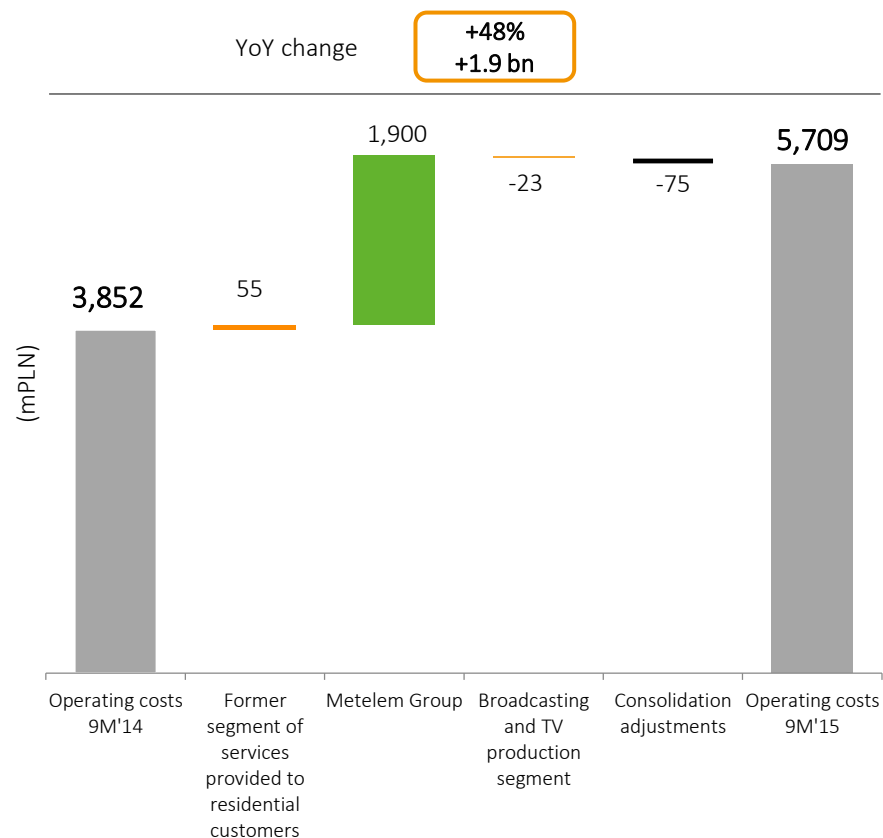
# Revenue and costs – change drivers in 9M'15



## Revenue



## Operating costs



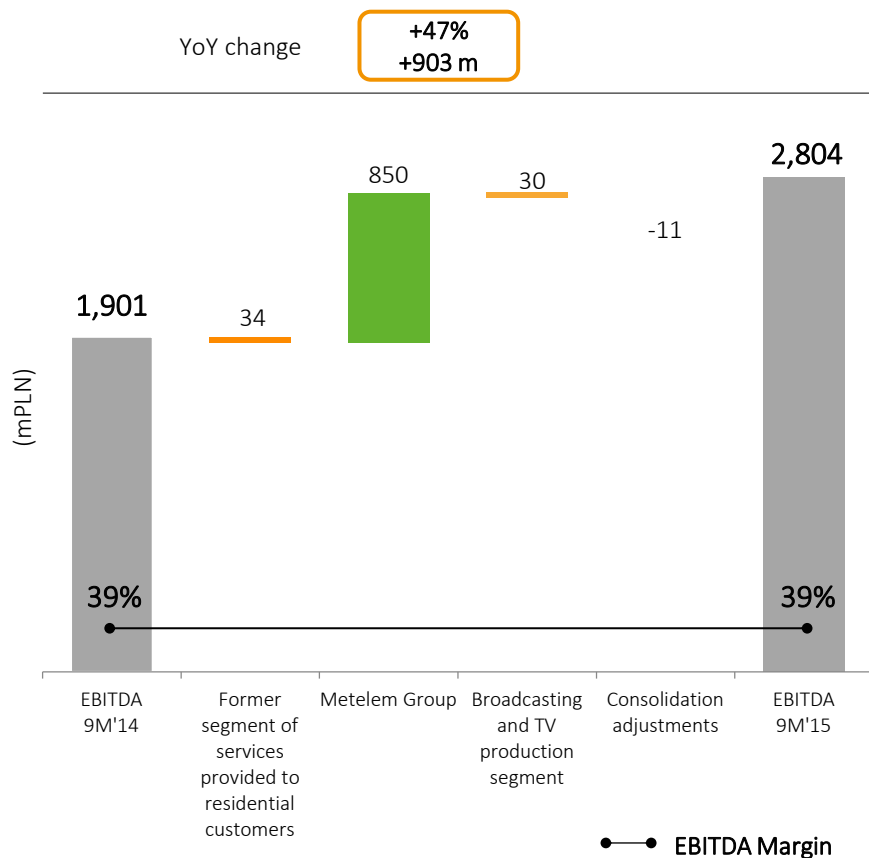
Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



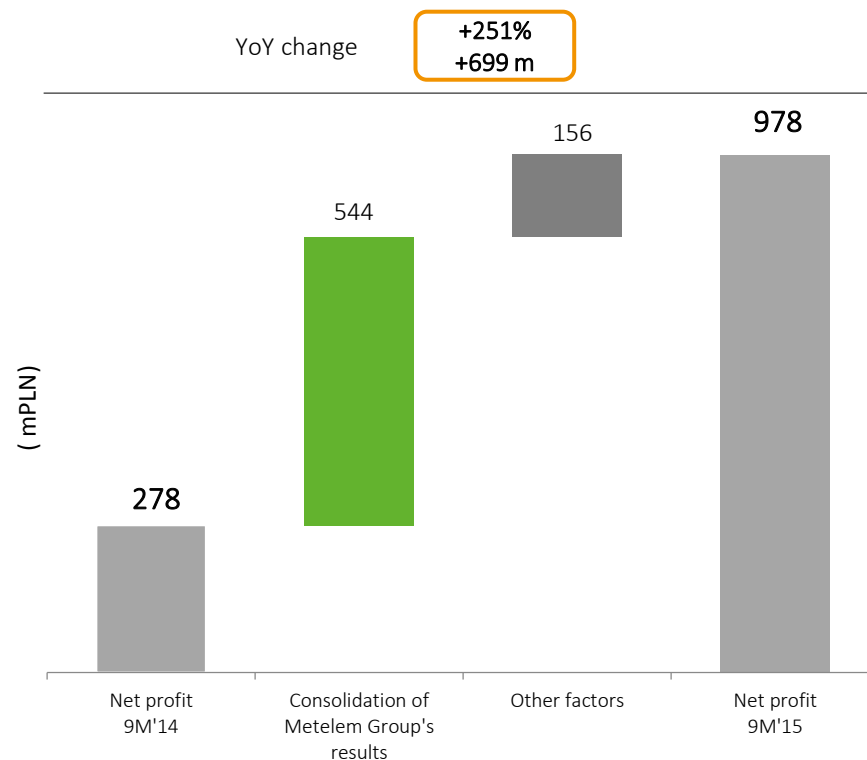
# EBITDA and net profit – change drivers in 9M'15



## EBITDA



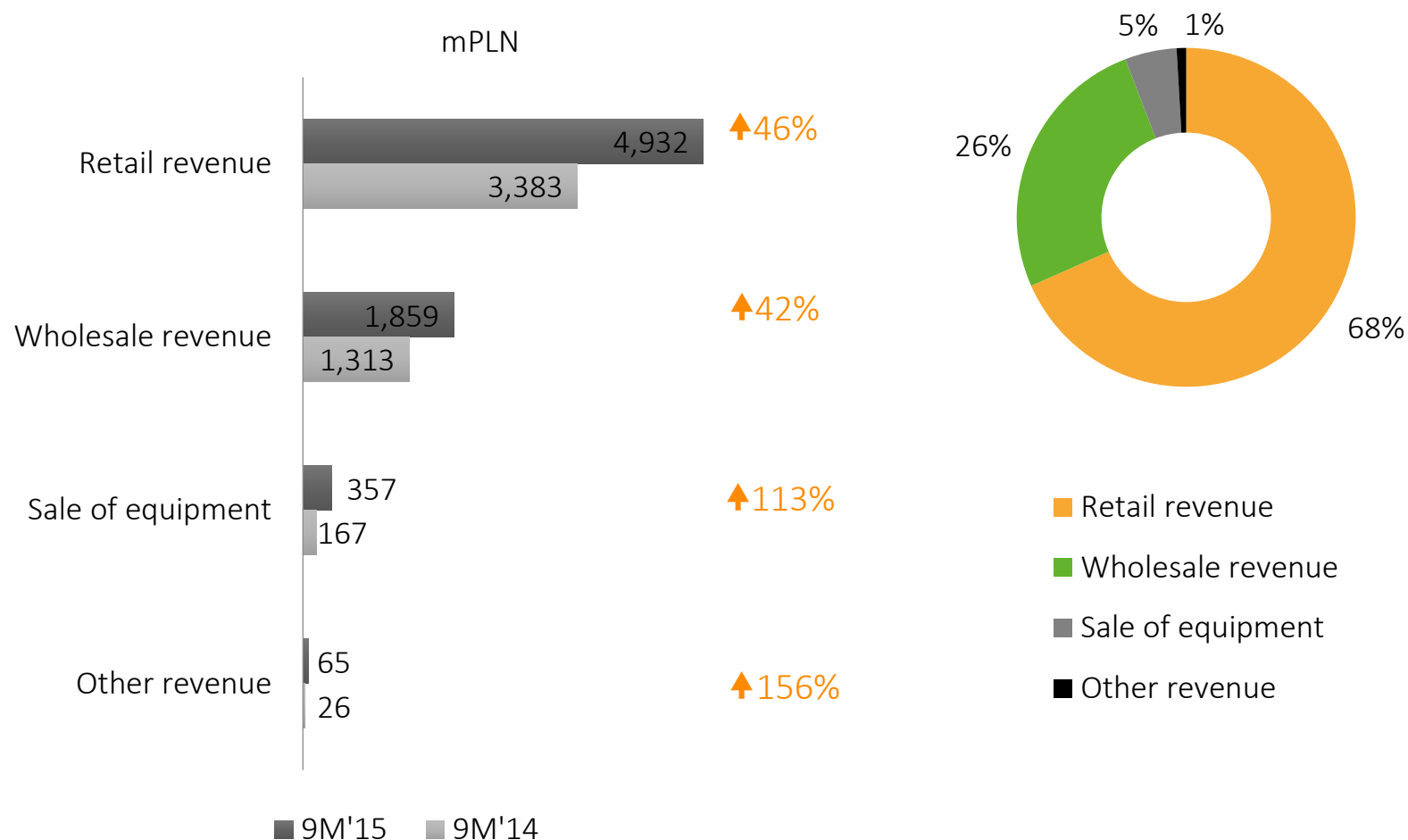
## Net profit



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



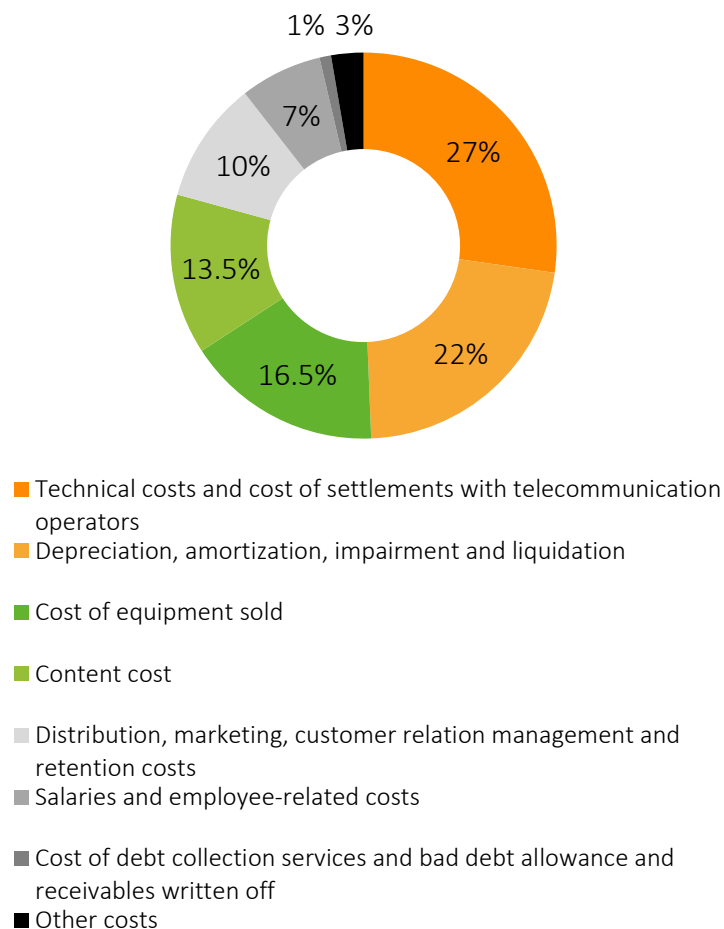
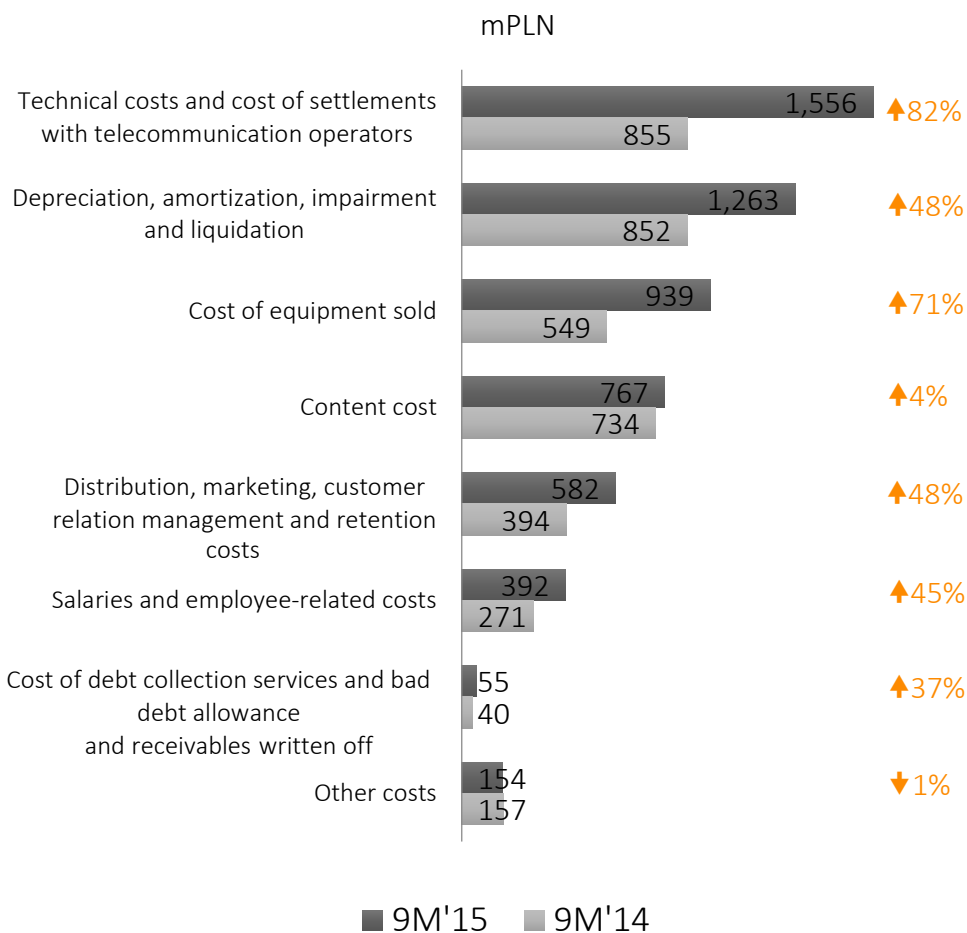
# Revenue structure in 9M'15



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



# Operating costs structure in 9M'15



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis

# Items below the EBITDA level in 9M'15

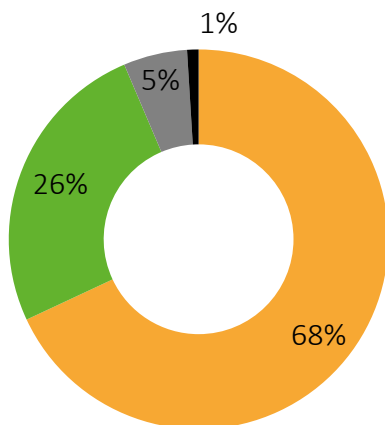


Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis

# Revenue and operating costs structure in Q3'15

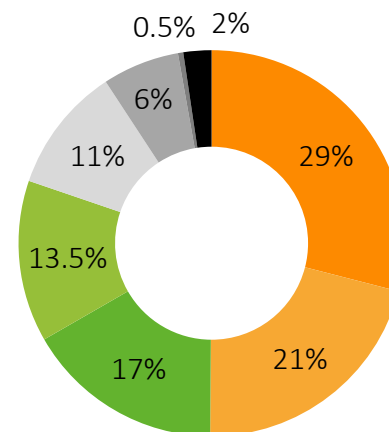


## Revenue structure



- Retail revenue
- Wholesale revenue
- Sale of equipment
- Other revenue

## Operating costs structure

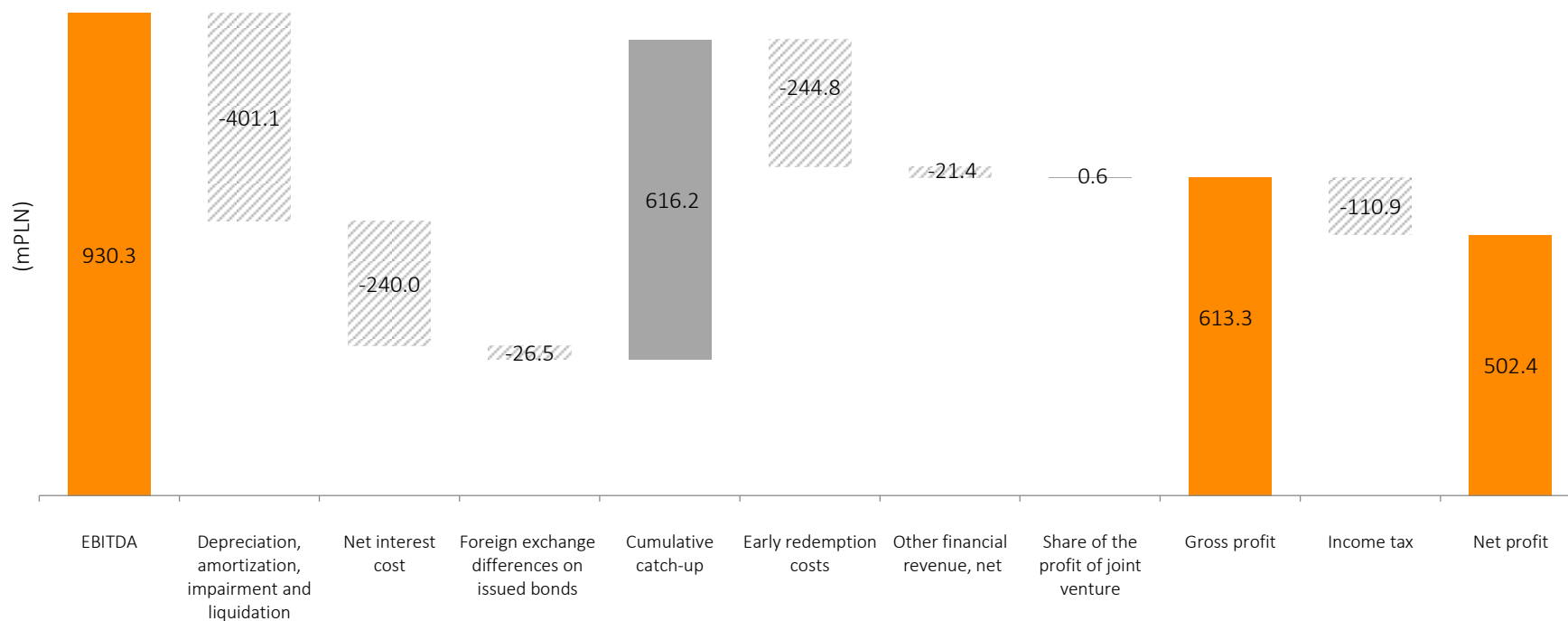


- Technical costs and cost of settlements with telecommunication operators
- Depreciation, amortization, impairment and liquidation
- Cost of equipment sold
- Content cost
- Distribution, marketing, customer relation management and retention costs
- Salaries and employee-related costs
- Cost of debt collection services and bad debt allowance and receivables written off
- Other costs

Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 2015 and internal analysis



# Items below the EBITDA level in Q3'15



Source: Interim condensed consolidated financial statements for the 3 and 9 month periods ended 30 September 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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