



Financial results for the Q4 and full year 2015

29 February 2016

Cyfrowy Polsat S.A. Capital Group



Disclaimer



This presentation may include forward-looking statements, understood as all statements (other than statements of historical facts) regarding our financial results, business strategy, plans and objectives pertaining to our future operations (including development plans related to our products and services). Such forward-looking statements do not constitute a guarantee of future performance and involve risks and uncertainties which may affect the fulfilment of these expectations, as by their nature they are subject to many factors, risks and uncertainties. The actual results may be materially different from those expressed or implied by such forward-looking statements. Even if our financial results, business strategy, plans and objectives pertaining to our future operations are consistent with the forward-looking statements included herein, this does not necessarily mean that these statements will be true for subsequent periods. These forward-looking statements express our position only as at the date of this presentation.

We expressly disclaim any obligation or undertaking to publish any updates or revisions to any forward-looking statements contained herein in order to reflect any change in our expectations, change of circumstances on which any such statement is based or any event that occurred after the date of this presentation.



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1. Keystone events

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Objectives for 2015 have been achieved



- Growth in the number of contract RGUs implicating growth of contract ARPU



- Growth in Polsat channels viewership and dynamic growth of advertising revenues



- Maintaining high margins, decreasing the indebtedness and raising FCF level



- Realization of operating and financial synergies



Positive impact of the multiplay strategy on the operating results of the Group






5.9m contract customers
incl. **1m** SmartDOM
customers



2.13 RGU
per customer
PLN 87.3 ARPU
per customer

16.5m RGU
12.6m contract services
3.9m prepaid services



 **10.1m** telephony
 **4.5m** pay TV
 **1.8m** Internet



TV Polsat the leader in 2015



24.6%
audience share

26.0%
TV ad market share

13.2% main channel
11.4% thematic channels

almost **2X** higher
dynamic vs the ad market



Solid financial results in 2015



PLN 9,823m
revenue

PLN 3,685m
EBITDA
37.5% EBITDA margin

PLN 1,305m
FCF

2.84x
Net debt/EBITDA⁽¹⁾

Note: (1) based on nominal values



Realization of synergies according to plan



Revenue

>1.1m products up-sold
in the smartDOM program with
ARPU of ca. **PLN 30**

Cost

69 launched initiatives –
estimated effect
of **PLN 0.85 bn⁽¹⁾**

Financial

Declared synergies of **PLN 0.7 bn⁽¹⁾**
significantly exceeded.
Total savings on interest
PLN >2bn^(1,2)

Note: (1) cumulative in the years 2014-2019

(2) I stage: new CP SFA, repayment of CP's old bank loan, redemption of CP Senior Notes, redemption of PLK PIK Notes, II stage: CP and PLK loans and redemption of PLK Senior Notes



2. Operations Report

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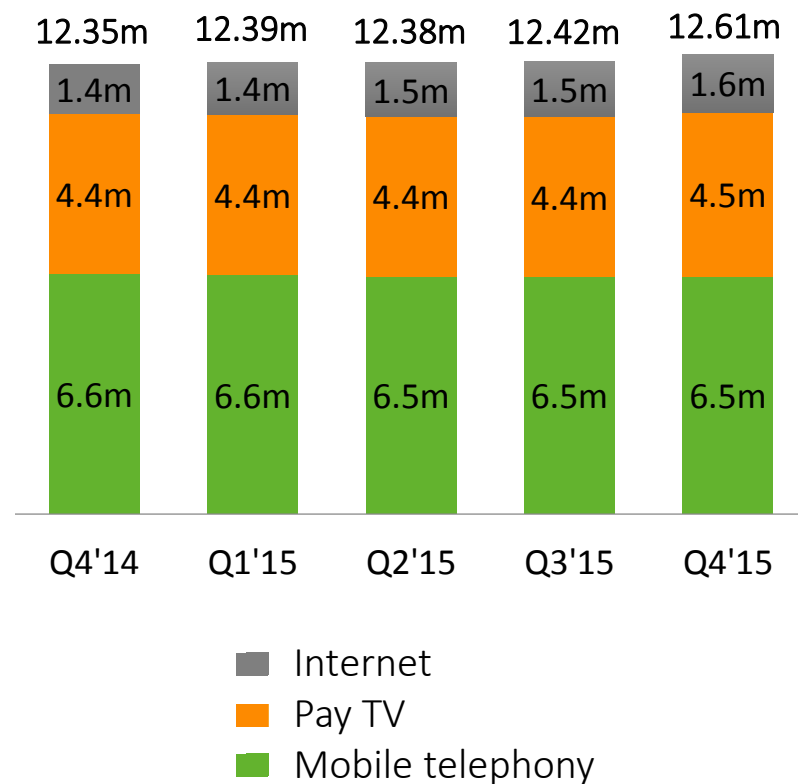
2.1 Services to individual and business customers



Consistent building of contract service base

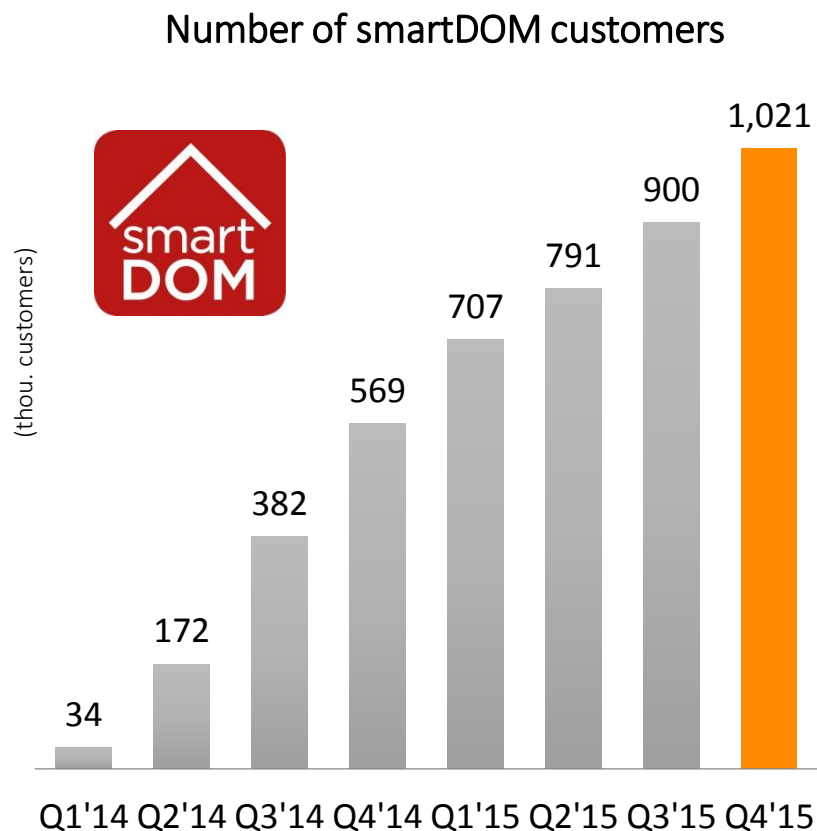


- Growth of our total contract services base by 196K (q/q)
- Further growth of mobile Internet RGUs supported by broader coverage and high quality of the LTE network
- Organic growth of pay TV RGUs
- Visible slowdown of the price erosion on the mobile telephony market, leading to the stabilization of the voice service customer base



Dynamic growth of multiplay customers

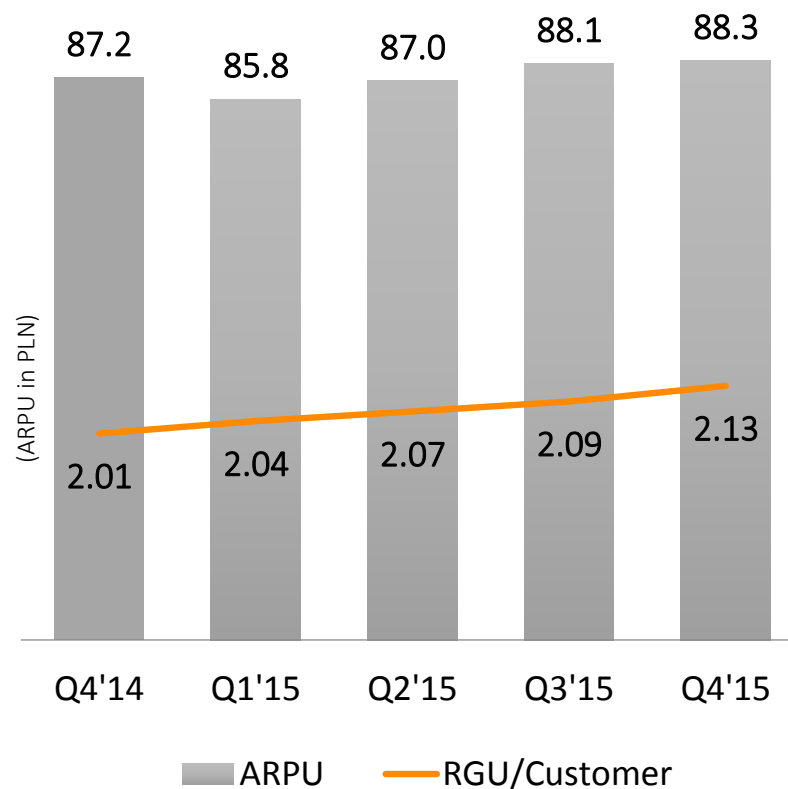
- As many as 17% of our customers already use the multiplay offer, which should have a positive impact on their loyalty in the future
- Total number of RGUs contracted by this group of customers amounts to 3.04m
- The goal of 1 million smartDOM customers by the end of 2015 has been achieved



Effective building of ARPU per customer



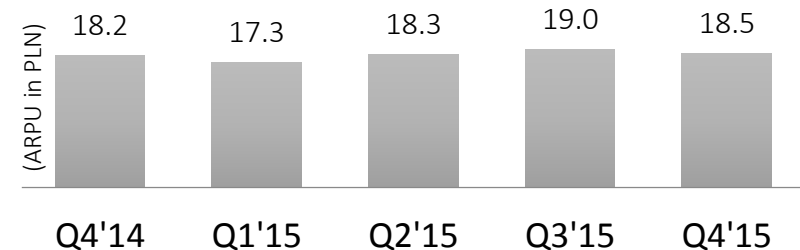
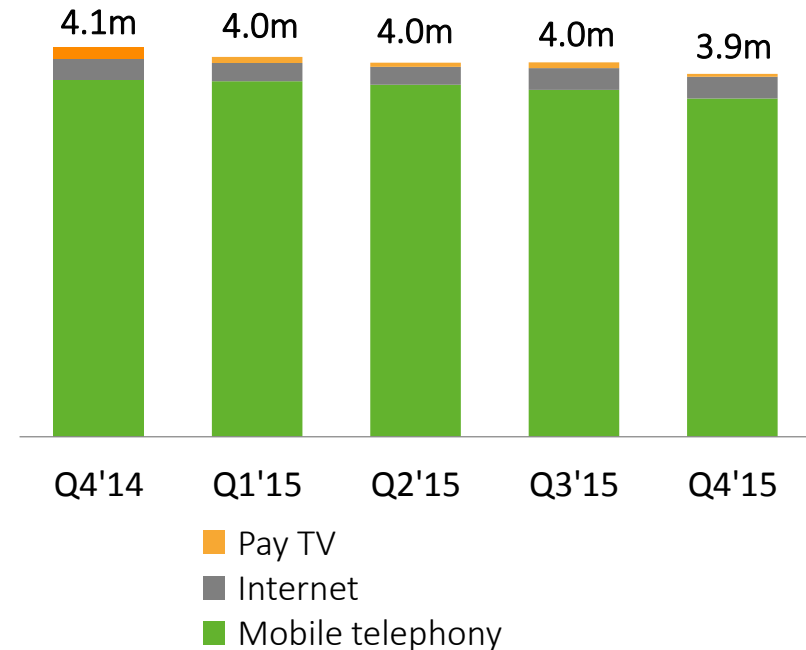
- Consistent execution of our strategy, resulting in the increased saturation of the customer base with contract services
- Visible growth of ARPU per customer to PLN 88.3 as a result of upselling additional products and services, i.e. thanks to our smartDOM offer
- The process of migration of customers to unlimited tariffs is nearly complete. Combined with the recent reduction of the price pressure, this 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 on 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 1.6% YoY





2.2 Broadcasting and TV production segment

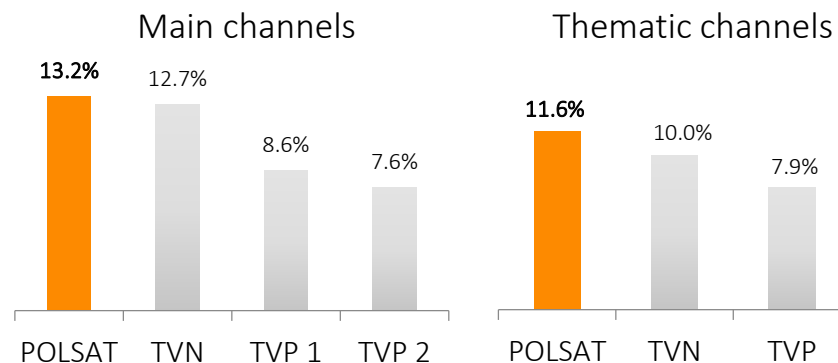


Viewership of our channels in Q4'15

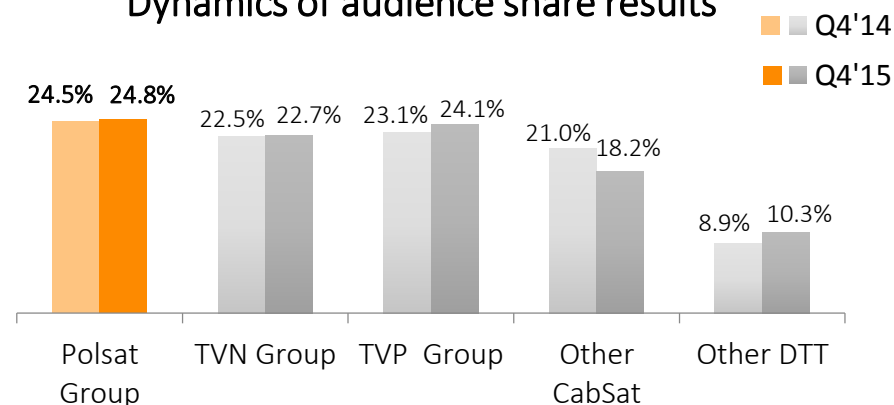


- Polsat's main channel and Polsat Group are the viewership leaders in the commercial group
- Very positive effect of programming investments made in TV4 and TV6 channels

Audience shares



Dynamics of audience share results



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

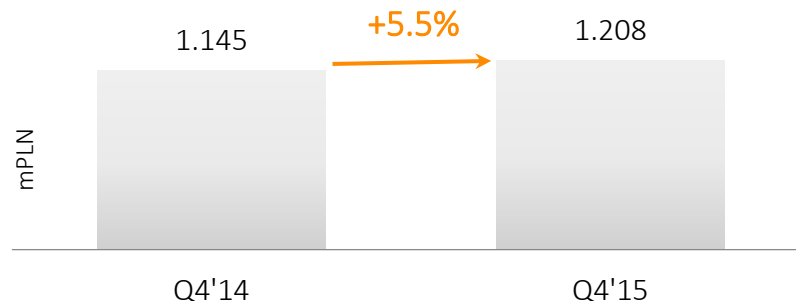


Position on the advertising market in Q4'15

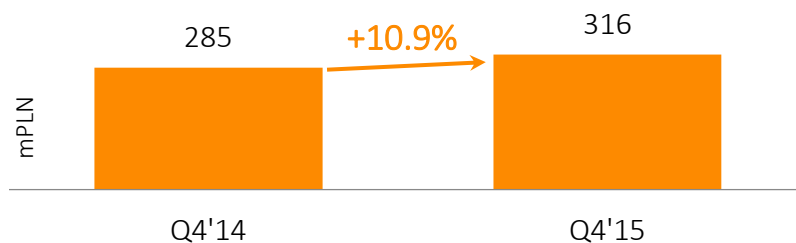


- TV advertising and sponsorship market in Q4'15 increased YoY by 5.5%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew twice as fast as the market
- Our share in the TV advertising and sponsoring market increased to 26.1%

Market expenditures on TV advertising and sponsorship



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



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

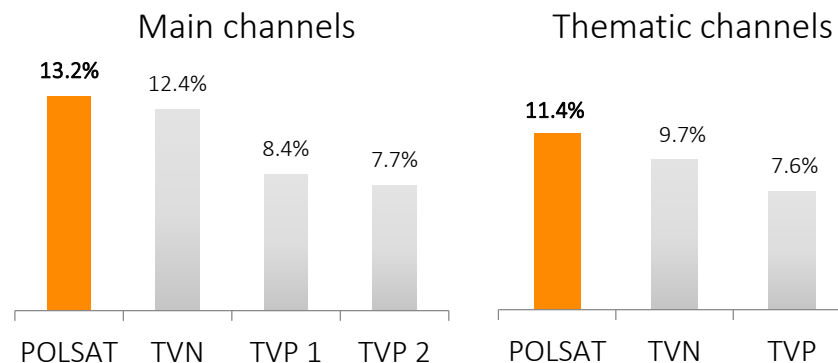


Viewership of our channels in 2015

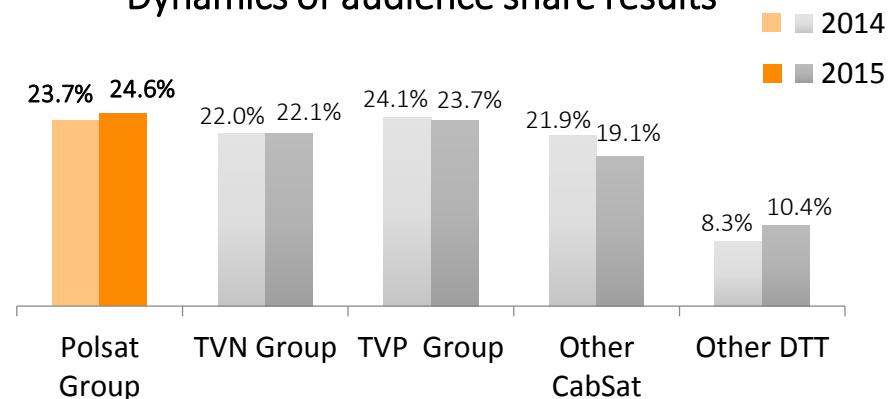


- Polsat's main channel and thematic channels are the viewership leaders in the commercial group
- Polsat Group viewership in line with the strategy

Audience shares



Dynamics of audience share results



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

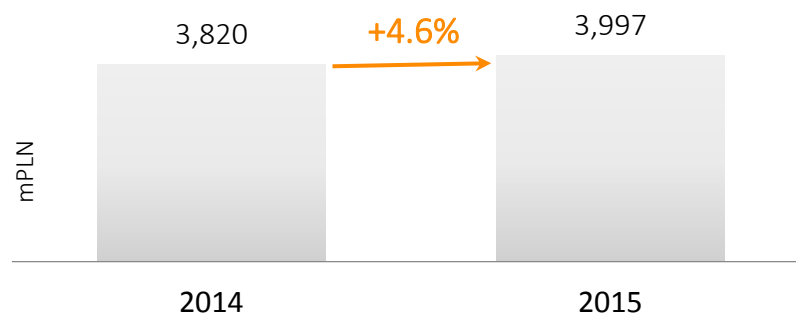


Position on the advertising market in 2015

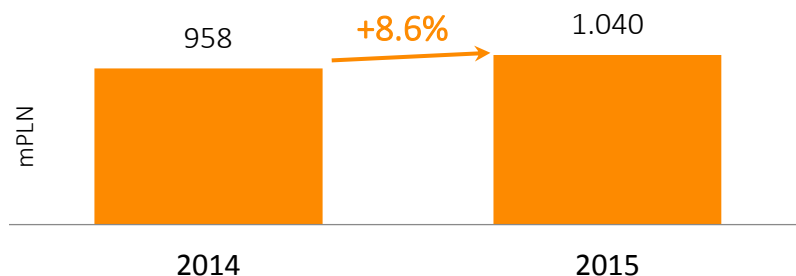


- TV advertising and sponsorship market in 2015 increased YoY by 4.6%
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising market increased to 26.0%
- We expect a middle single-digit increase of the TV advertising and sponsoring market in 2016

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



3. Financial results

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Group's financial results in Q4'15



mPLN	Q4'15	YoY change
Revenue	2,610	4%
Operating costs ⁽¹⁾	1,723	2%
EBITDA	881	5%
EBITDA margin	33.8%	0.6pp
Net profit	186	1,227%

- Increase in revenue and operating cost control resulting in an increase in EBITDA by PLN 44m
- Net profit increased mainly due to lower costs of exchange rate differences on the valuation of PLK bonds compared to the previous year as well as a higher operating result of Polsat Group

Source: Consolidated financial statements for the year ended December 31, 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 Q4'15



mPLN	Q4'15	YoY change
Revenue	2,274	3%
Operating costs ⁽¹⁾	1,514	2%
EBITDA	756	4%
EBITDA margin	33.2%	0.5pp

- Increase in revenue due mainly to an increase in wholesale revenue and sales of equipment
- Operating costs under control resulting in EBITDA growth by PLN 32m

Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

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



Results of the broadcasting and TV production segment in Q4'15



mPLN	Q4'15	YoY change
Revenue	387	10%
Operating costs ⁽¹⁾	260	10%
EBITDA	125	10%
EBITDA margin	32.3%	-0.1pp

- Increase of revenue mainly due to the monetization of higher audience shares of Polsat Group channels
- Growth of costs associated with additional investments in the programming offer of our main channel and higher costs of salaries
- Growth of reported EBITDA by PLN 11m

Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

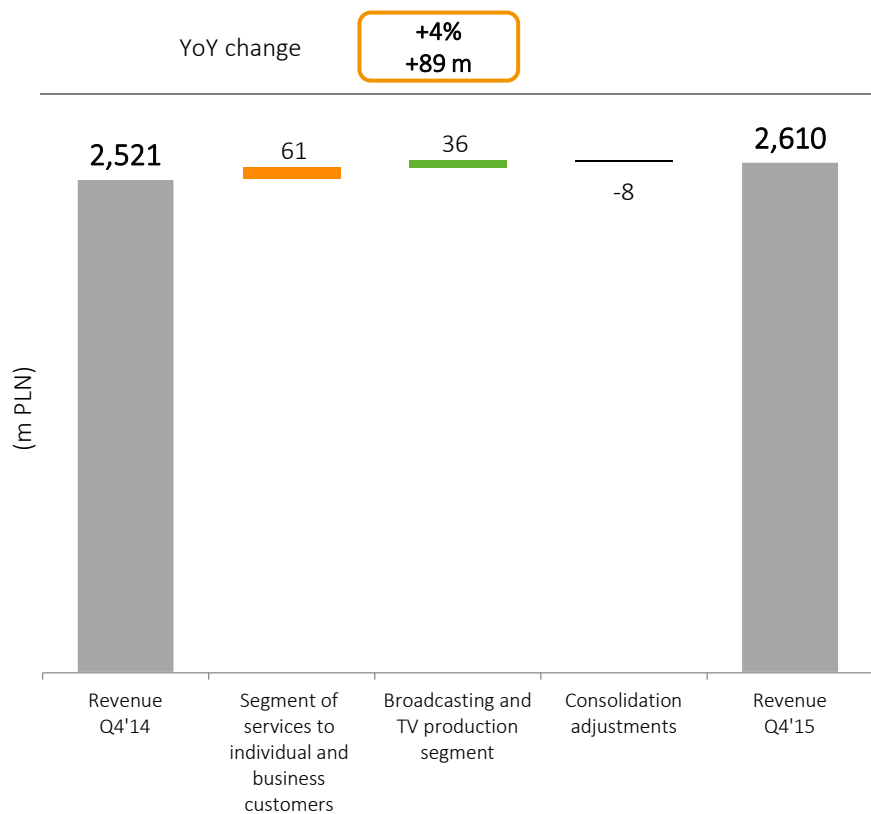
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



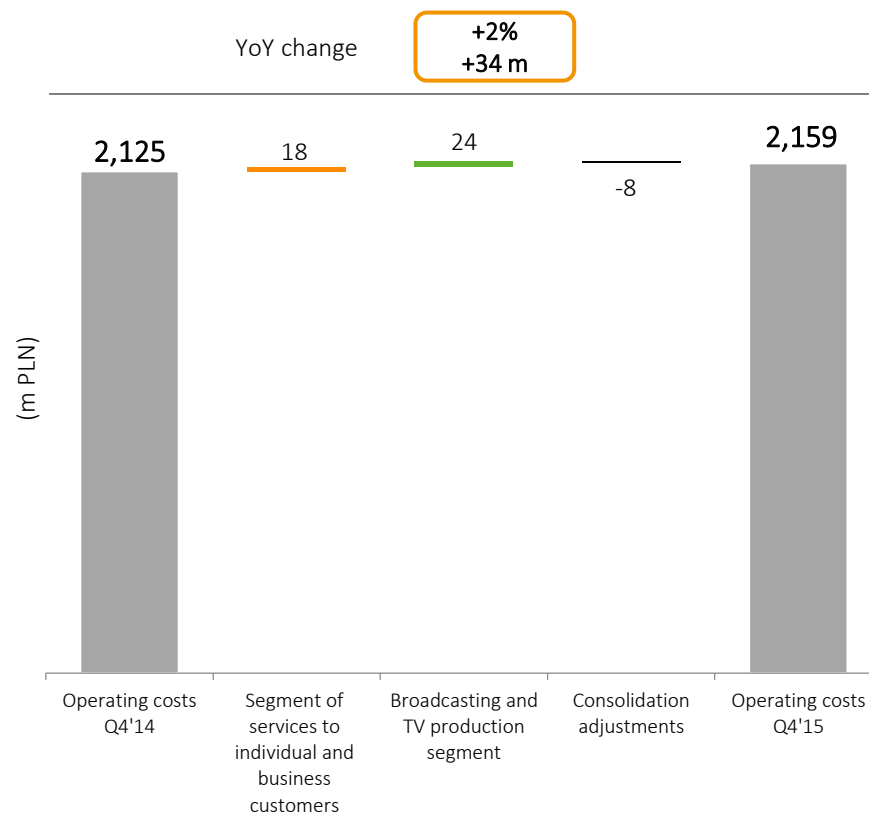
Revenue and costs – change drivers in Q4'15



Revenue



Operating costs



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

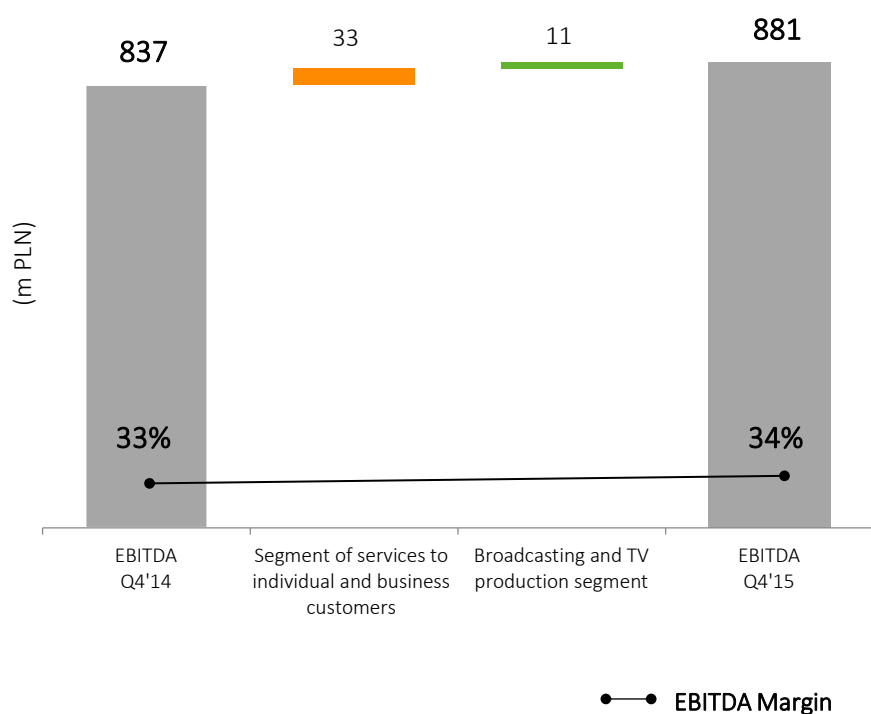


EBITDA and net profit – change drivers in Q4'15



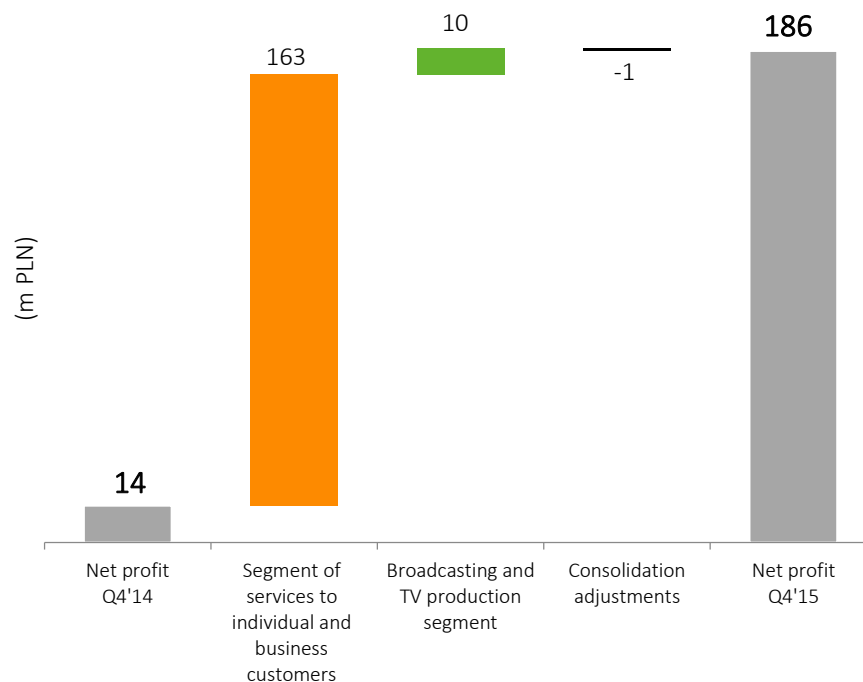
EBITDA

YoY change **+5%**
+44 m



Net profit

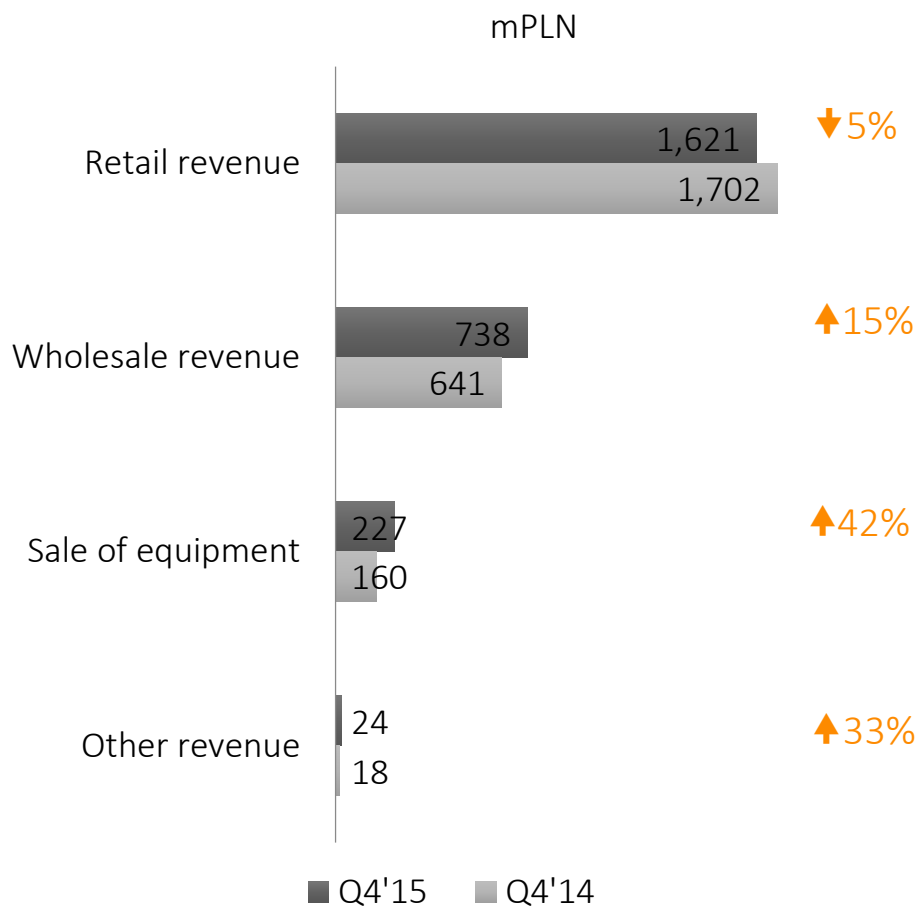
YoY change **+1.227%**
+172 m



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis



Revenue structure in Q4'15

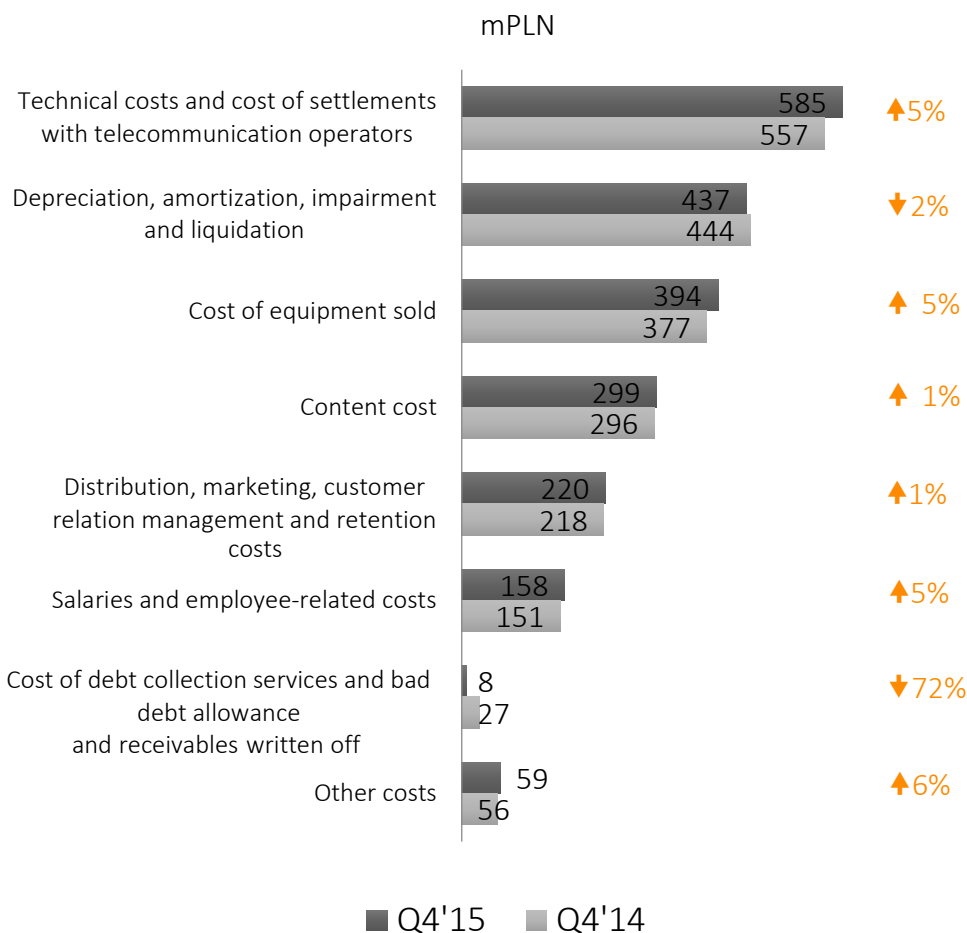


- Lower retail revenue primarily due to a decrease in revenue from voice services, caused by the highly competitive telecommunications market, which was partially offset by increasing revenue from mobile Internet access services
- Increase in wholesale revenue primarily due to significantly higher advertising revenue of TV Polsat, as well as to the growth of revenue from Interconnect and the lease of telecom infrastructure
- Higher revenue from sales of equipment mainly due to higher revenue from sales of contracts for telecommunication services with a subsidized device (due to higher unit prices of the equipment sold), higher revenue from installment plan sales, optimal management of inventories and an increase in the sales of set-top boxes

Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis



Operating costs structure in Q4'15

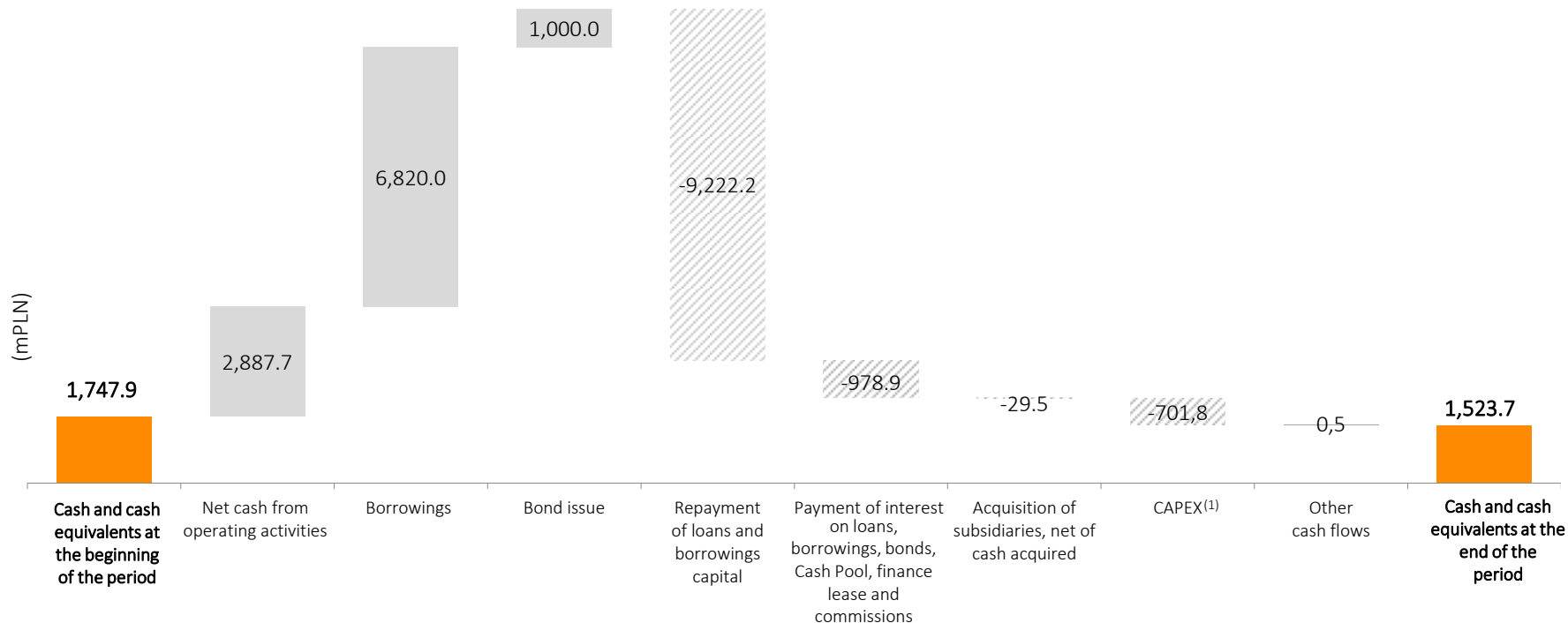


- Increase in technical costs due to increased costs of Interconnect and costs of data transfer within our broadband Internet access service
- Decrease in depreciation, amortization, impairment and liquidation, i.a. as a result of lower costs of depreciation of the telecommunication infrastructure
- Higher costs of equipment sold mainly driven by a higher volume of contracts for telecommunication services including equipment concluded in the fourth quarter of 2015 and an increase in the sales of set-top boxes
- Lower costs of debt collection services and bad debt allowance and receivables written off among others due to lower costs of write-offs on receivables

Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis



Cash flow statement in 2015



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis
 Nota: (1) Including payment for the UMTS license, excluding expenditures on set-top-boxes leased to customers

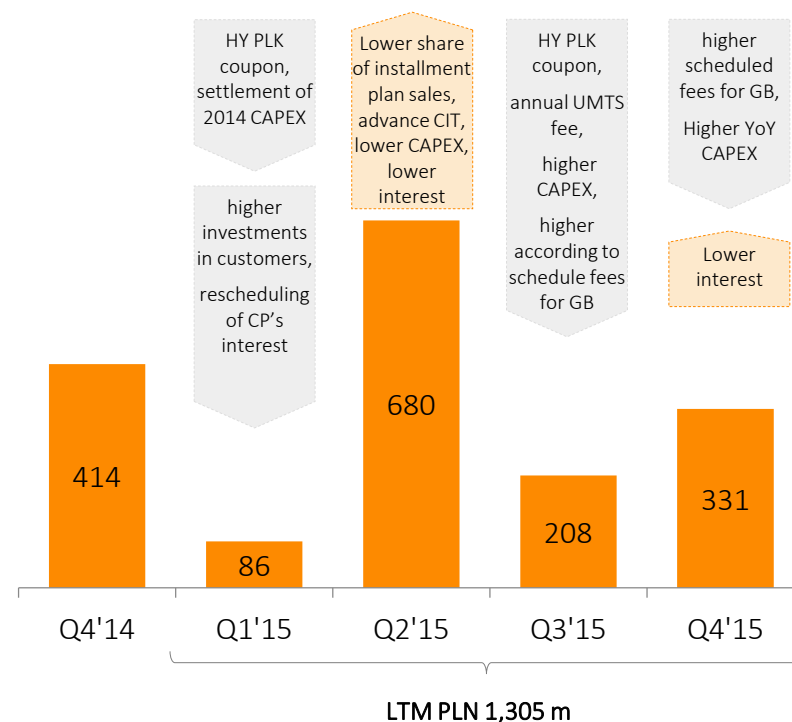


Reconciliation of FCF after interest



mPLN	Q4'15	FY'15
Net cash from operating activities	778	2,888
Net cash used in investing activities	-150	-727
Payment of interest on loans, borrowings, Cash Pool ⁽¹⁾	-175	-979
FCF after interest	453	1,182
Return deposit paid in the auction of 800/2600 MHz frequencies	-215	-
Bank fees and other costs of organizing refinancing	93	93
Acquisition of subsidiaries	-	30
Adjusted FCF after interest	331	1,305

Adjusted FCF after interest⁽²⁾



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis
 Note: (1) Includes the impact of the instruments IRS / CIRS / forward

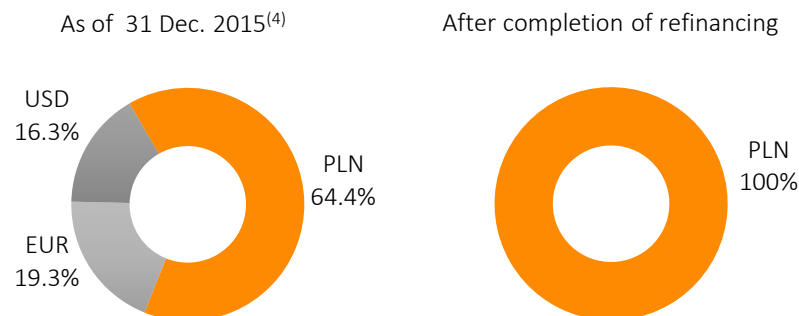


The Group's debt as at 31 December 2015

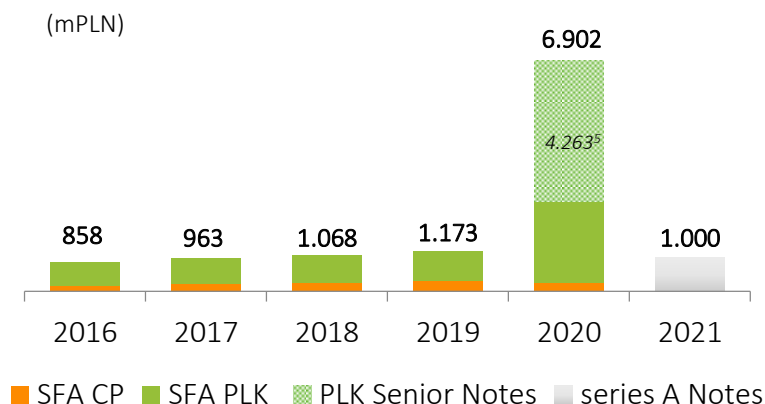


mPLN	Carrying amount	Nominal value
CP Term Loan	1.188	1.200
CP Revolving Loan	0	0
PLK Term Loan	5.423	5.500
PLK Revolving Loan	0	0
Series A Notes	1.018	1.000
Senior Notes PLK EUR ¹	2.569	2.312
Senior Notes PLK USD ²	2.165	1.951
Leasing	25	25
Cash and cash equivalents ³	1.524	1.524
Net debt	10.864	10.464
EBITDA LTM	3.685	3.685
Net debt / EBITDA LTM	2.95x	2.84x

Currency composition of our indebtedness



Our debt maturing profile⁴



¹ Nominal value of PLK Senior Notes of EUR 542.5 m, as converted based on the average NBP exchange rate from 31 Dec. 2015 of 4.2615 PLN/EUR. Carrying amount estimated at 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 Dec. 2015 of 3,9011 PLN/USD. Carrying amount estimated at 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. CP and PLK Revolving Loans

⁵ 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 December 31, 2015 of PLN/EUR 4.2615 and PLN/USD 3.9011, respectively. In connection with the repayment of the bonds in January 2016, indebtedness under the PLK Senior Notes is presented as current liabilities from issued bonds in the consolidated balance sheet as at December 31, 2015.

4. Appendix

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The Group's financial results in 2015



mPLN	2015	YoY change
Revenue	9,823	33%
Operating costs ⁽¹⁾	6,169	32%
EBITDA	3,685	35%
EBITDA margin	37.5%	0.5pp
Net profit	1,163	298%

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

Source: Consolidated financial statements for the year ended December 31, 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 2015



mPLN	2015	YoY change
Revenue	8,709	38%
Operating costs ⁽¹⁾	5,501	38%
EBITDA	3,241	39%
EBITDA margin	37.2%	0.3pp

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

Source: Consolidated financial statements for the year ended December 31, 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 2015



mPLN	2015	YoY change
Revenue	1,300	3%
Operating costs ⁽¹⁾	853	0%
EBITDA	445	10%
EBITDA margin	34.2%	2.1pp

- Increase of adjusted revenue by 10%⁽²⁾ mainly due to the monetization of higher audience shares of Polsat Group channels and higher revenue from fees
- Growth of adjusted costs by 9%⁽²⁾ associated with additional investments in the programming offer of our main channel, TV4, Disco Polo Music as well as higher costs of exploitation of film licenses, salaries and sports licenses (in relation to the UEFA EURO 2016 Qualifiers)

Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

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

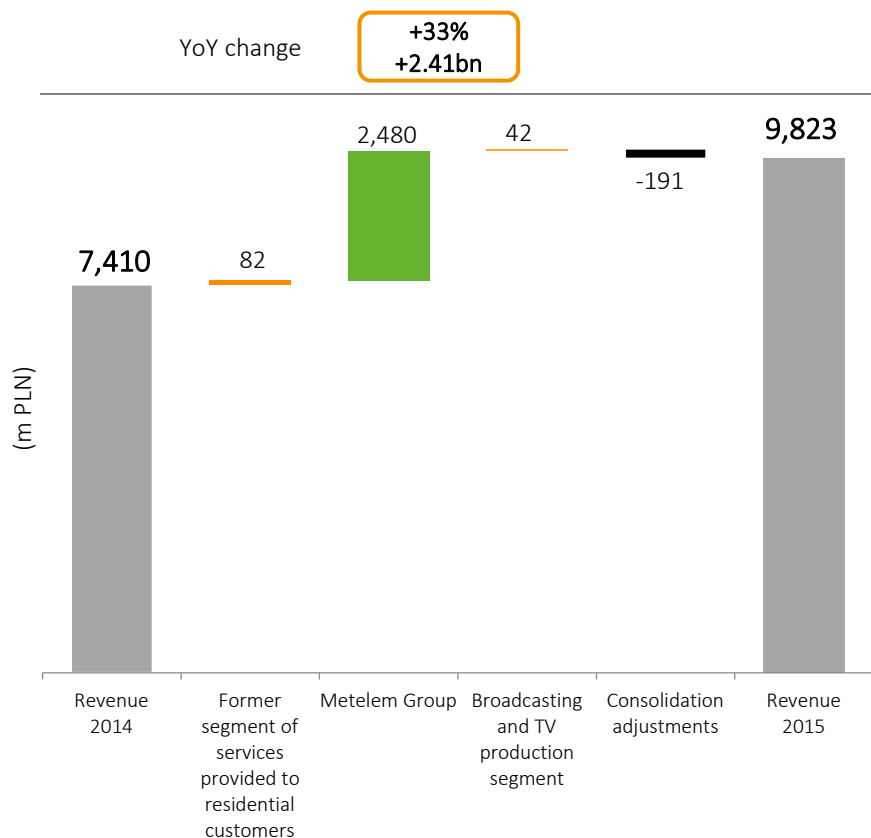
(2) One-off event in 2014 – FIVB World Championship



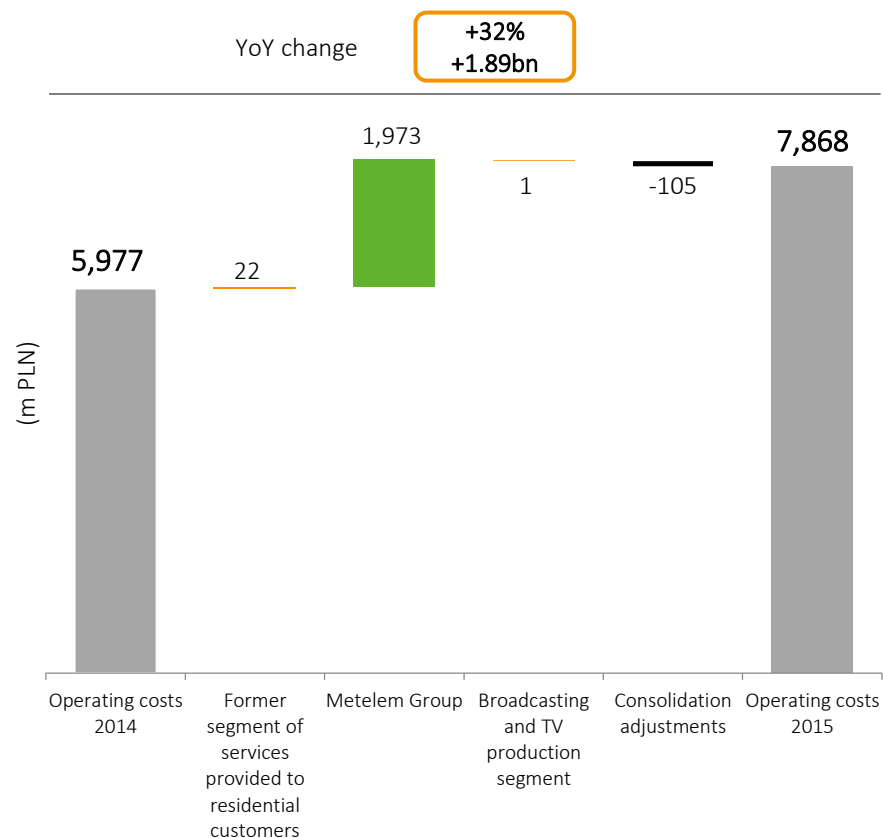
Revenue and costs – change drivers in 2015



Revenue



Operating costs



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis



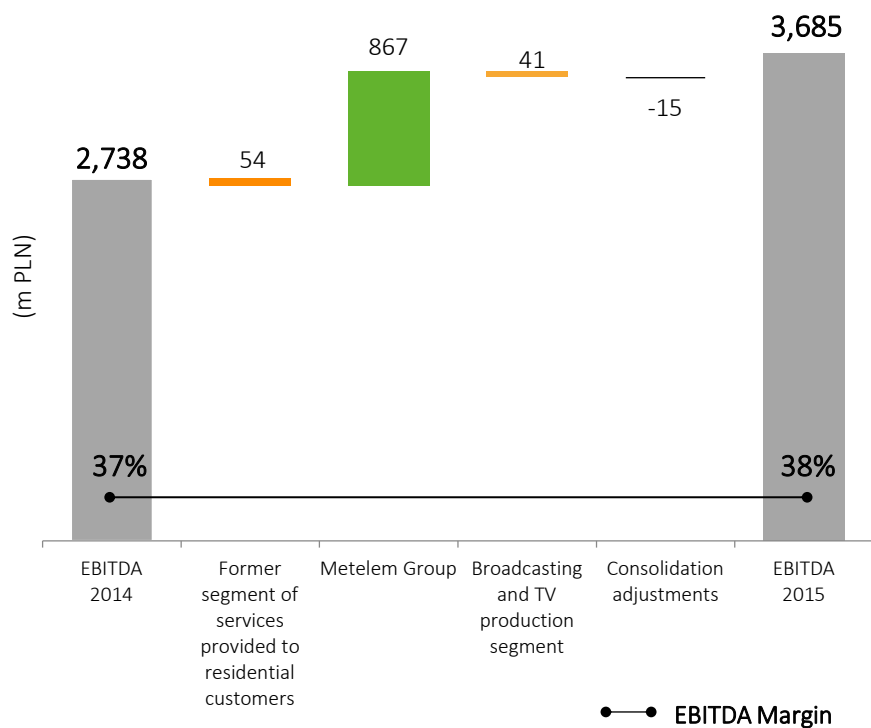
EBITDA and net profit – change drivers in 2015



EBITDA

YoY change

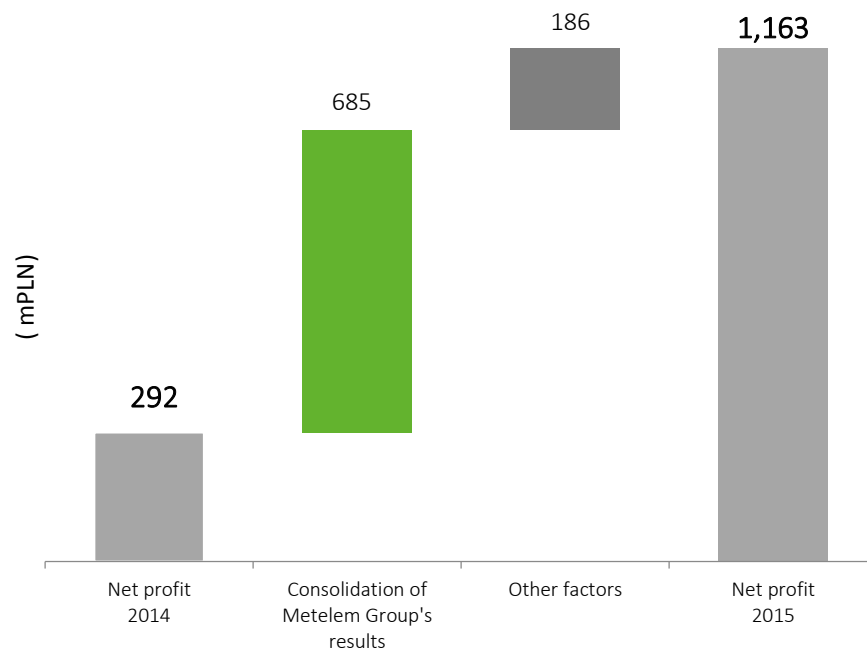
+35%
+947m



Net profit

YoY change

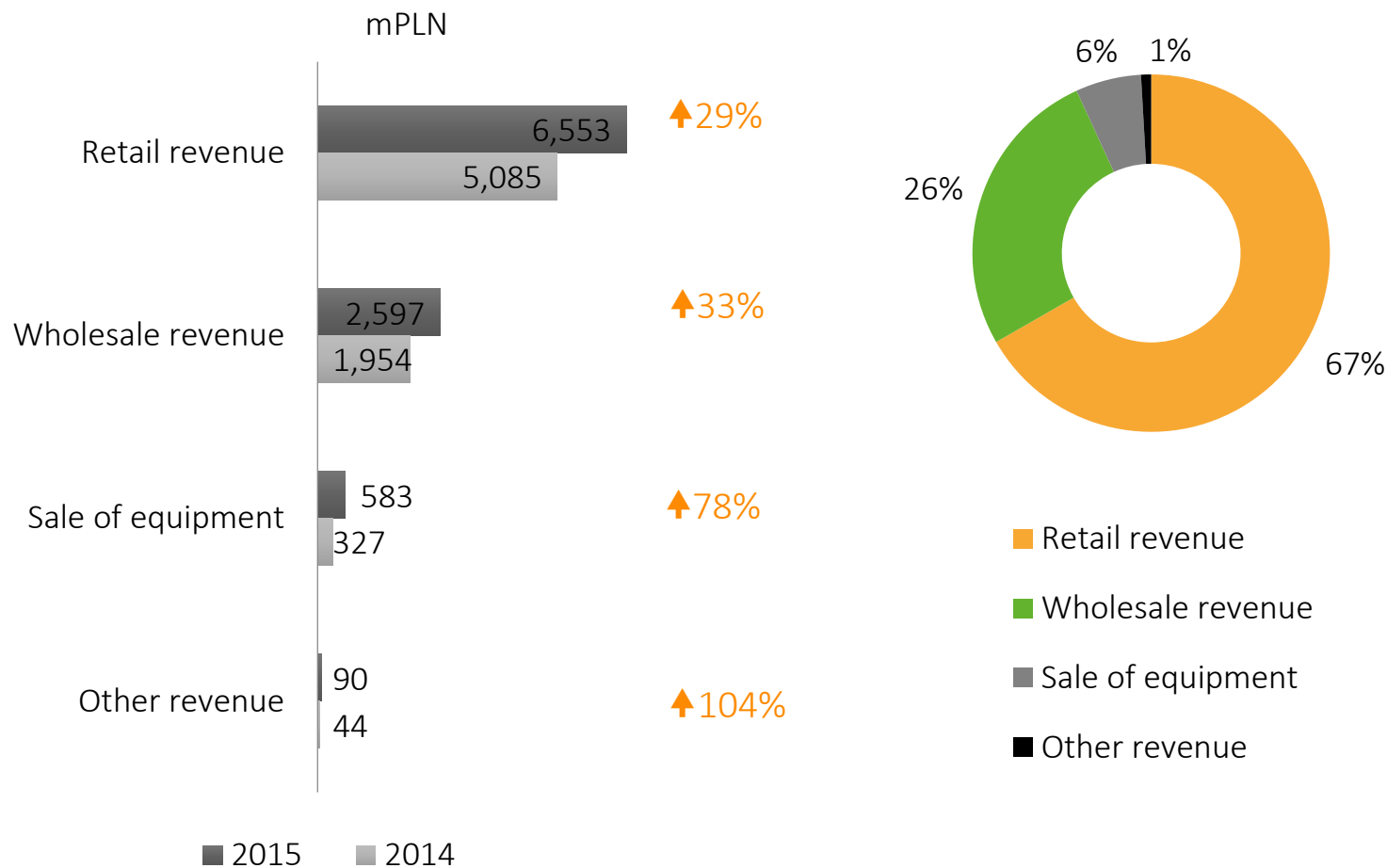
+298%
+871m



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis



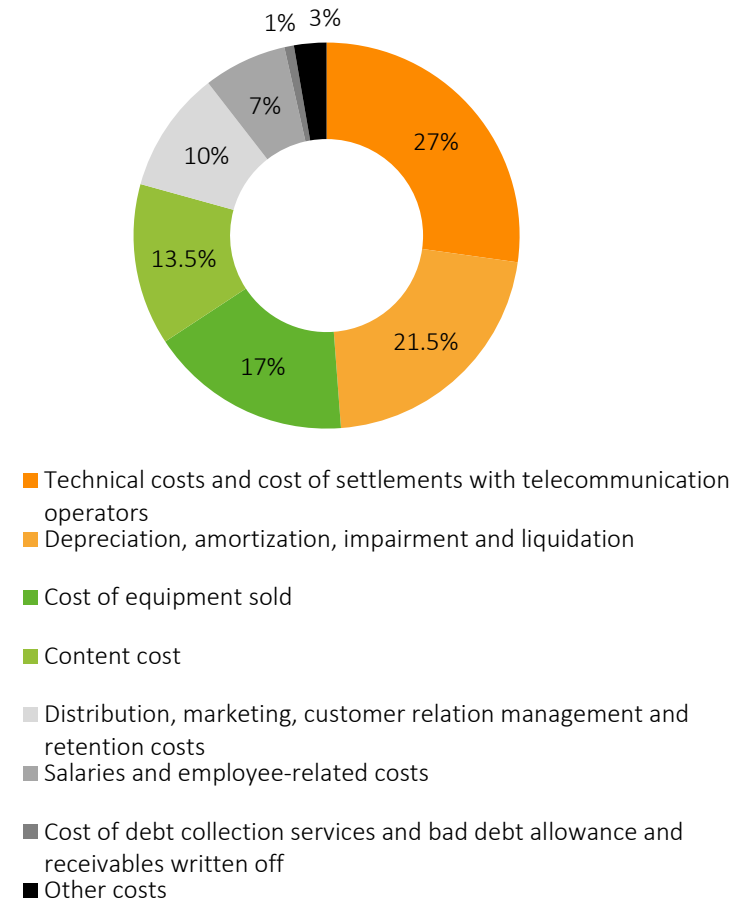
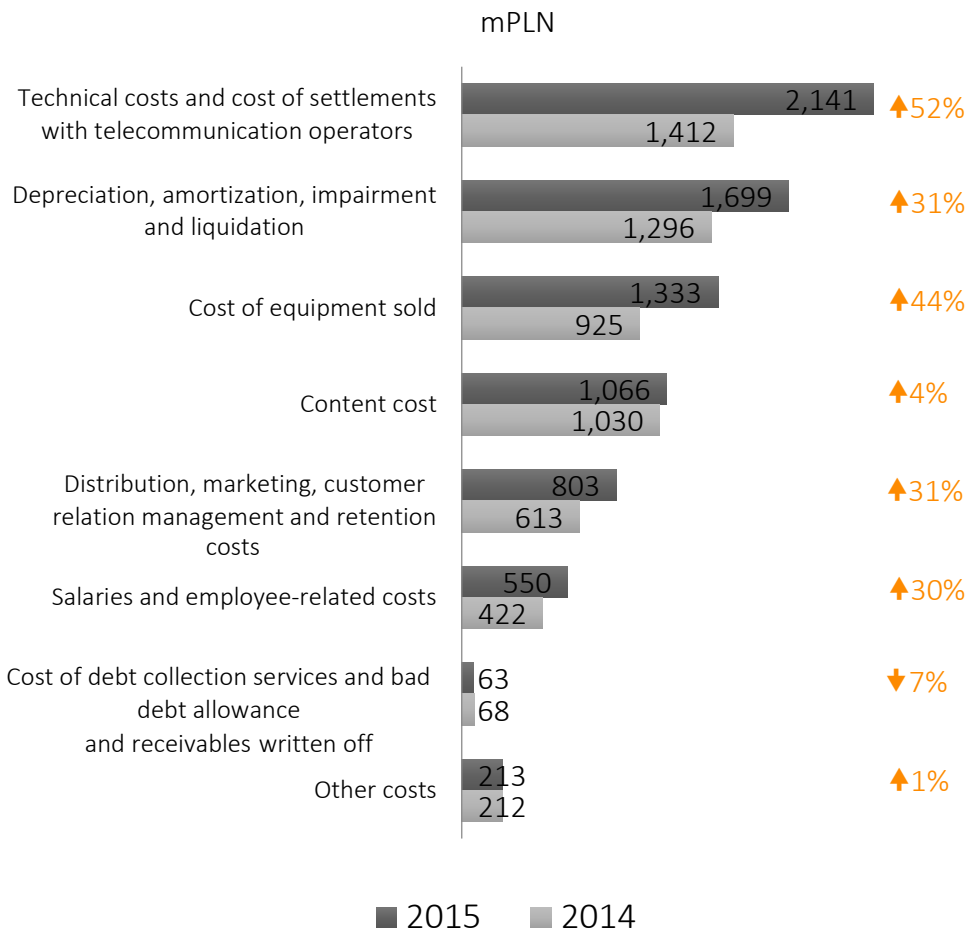
Revenue structure in 2015



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

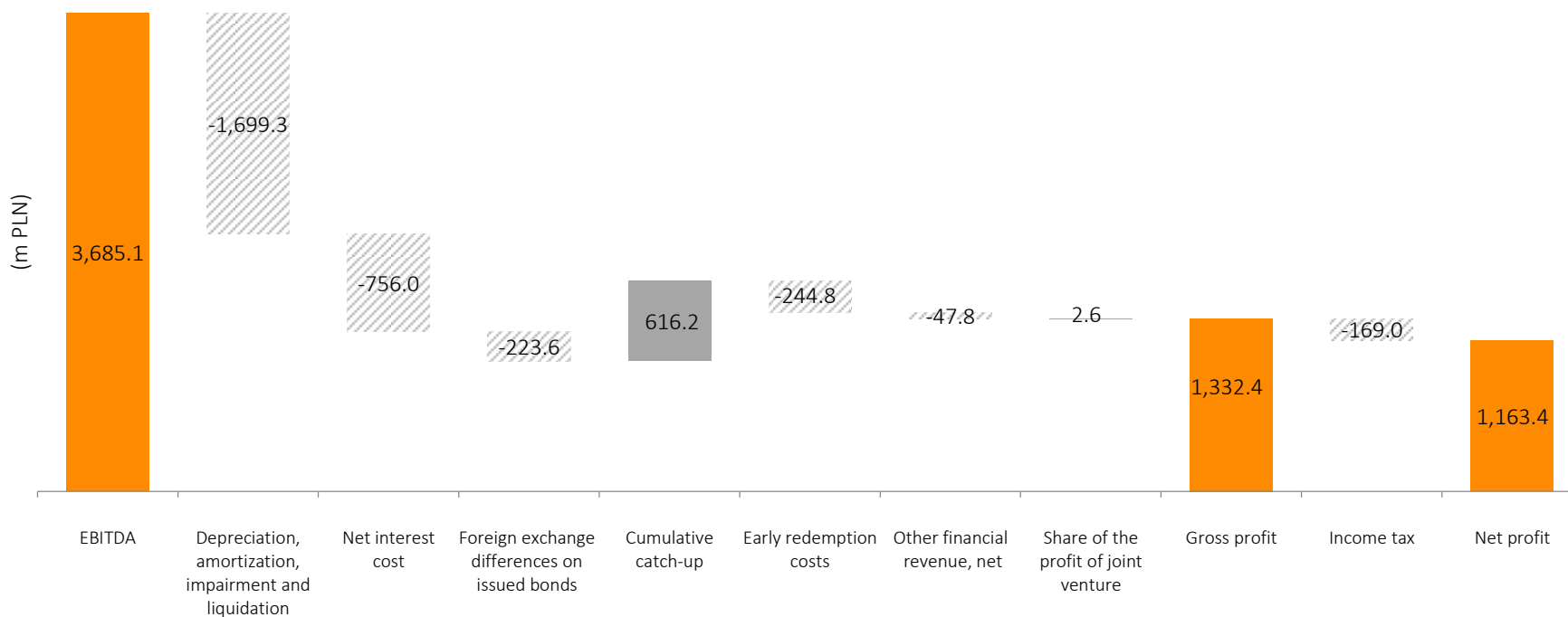


Operating costs structure in 2015



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

Items below the EBITDA level in 2015

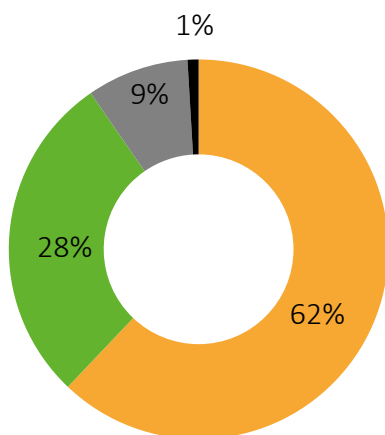


Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

Revenue and operating costs structure in Q4'15

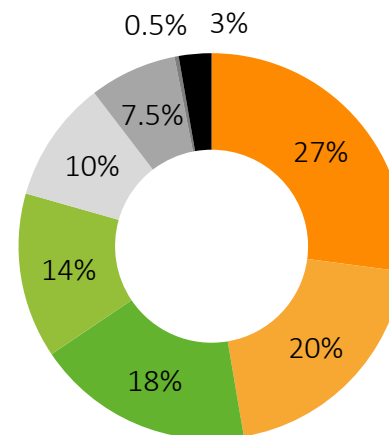


Revenue structure



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

Operating costs structure

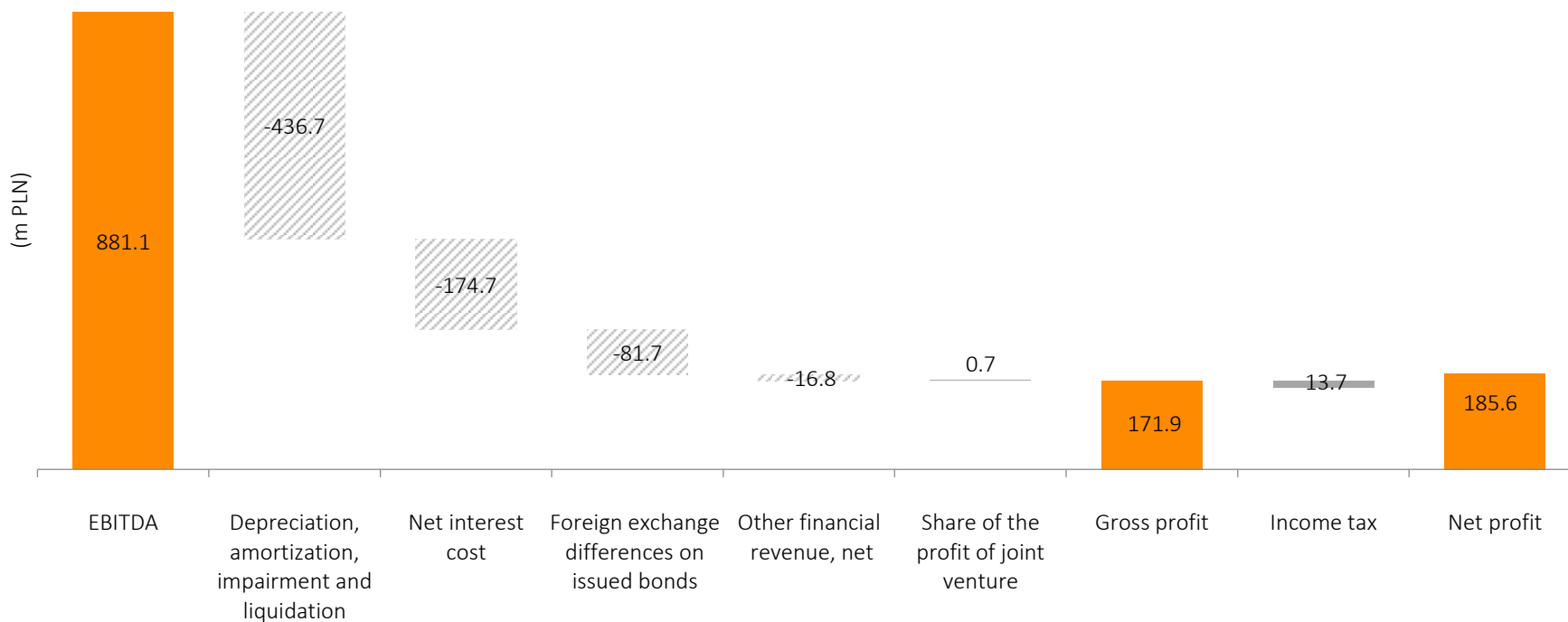


- Technical costs and cost of settlements with telecommunication operators
- Depreciation, amortization, impairment and liquidation
- Cost of equipment sold
- Content cost
- Distribution, marketing, customer relation management and retention costs
- Salaries and employee-related costs
- Cost of debt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

Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis



Items below the EBITDA level in Q4'15



Source: Consolidated financial statements for the year ended December 31, 2015 and internal analysis

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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