



Financial results for Q4 and the full year 2016

16 March 2017

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.



Agenda



1. Key events
2. Operating results
3. Pro-forma financial results
4. Summary and objectives for 2017
5. Additional information



1. Key events

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Key events in 2016

Acquisition of Midas (currently Aero2)



Registration of pre-paid cards



Broadcast of UEFA EURO 2016



Implementation of multiplay strategy



Objectives for 2016 have been achieved



- Finalization of the acquisition of Midas shares and effective integration of Midas into the Polsat Group structure



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



- Growth of viewership figures of Polsat channels and highly dynamic growth of advertising revenues, augmented by the commercial success of the UEFA EURO 2016 project



- Maintenance of high margins, debt reduction and improved FCF levels



Steadily growing base of services in 2016



5.9m contract customers
incl. **1.3m** multiplay
customers

2.25 RGU
per customer
PLN 88.7 ARPU

16.5m RGU
13.2 contract services
3.3 prepaid services



9.7 m telephony
4.8 m pay TV
2.0 m Internet



TV Polsat a leader in 2016



24.9%
audience share

26.9%
TV ad market share

13.2% main channel
11.6% thematic channels

4x higher growth
vs ad market



Very good pro-forma financial results



PLN 9,650 m
Revenue

PLN 3,660 m
EBITDA
37.9% EBITDA margin

PLN 1,557 m
LTM FCF

2.83x
Net debt/EBITDA LTM according to SFA⁽¹⁾
3.06x
Total net debt / EBITDA LTM

Note: (1) Net leverage according to SFA definition, i.e., excluding non-cash serviced debt



2. Operating results

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2.1 Broadcasting and TV production segment

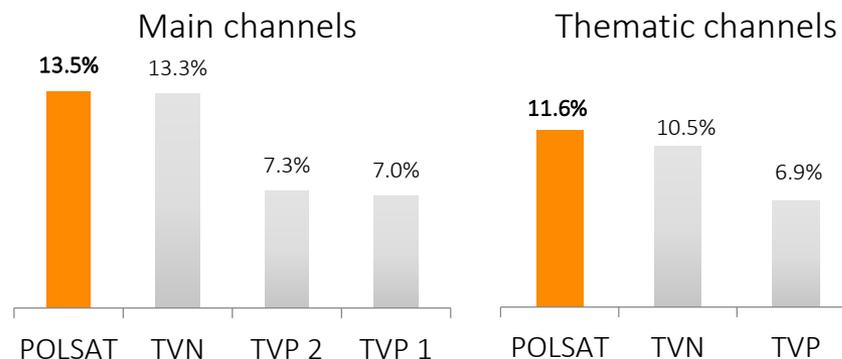


Viewership of our channels in Q4'16

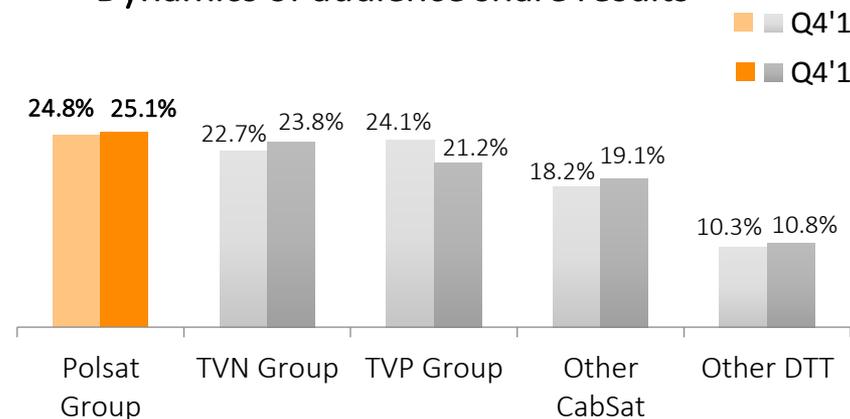


- Polsat Group and the main channel POLSAT are invariably viewership leaders in the commercial group

Audience shares



Dynamics of audience share results



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

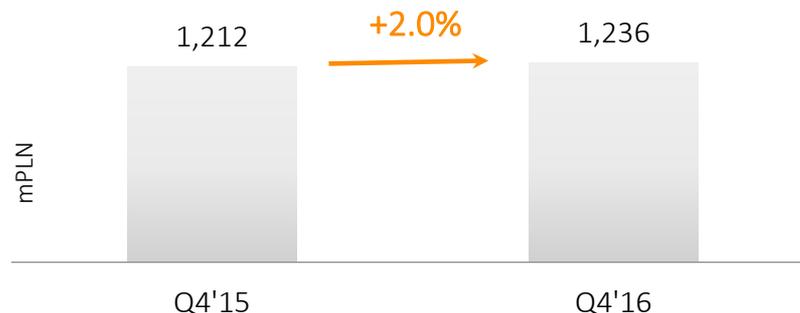


Position on the advertising market in Q4'16

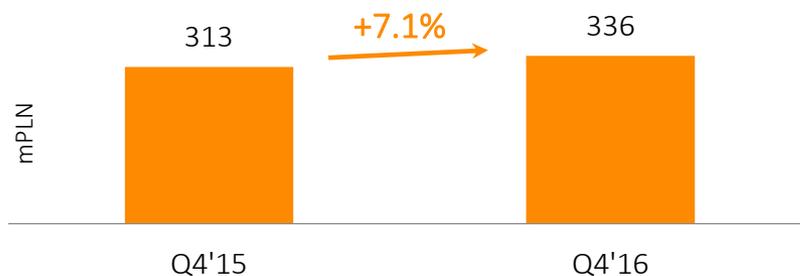


- TV advertising and sponsorship market increased by 2.0% YoY in Q4'16
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising and sponsoring market increased to 27.2%

Market expenditures on TV advertising and sponsorship



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



Source: Starcom airtime and sponsorship; TV Polsat; internal analysis

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

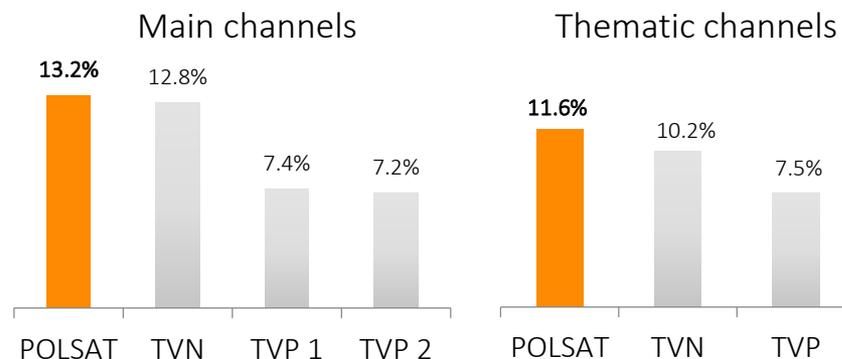


Viewership of our channels in 2016

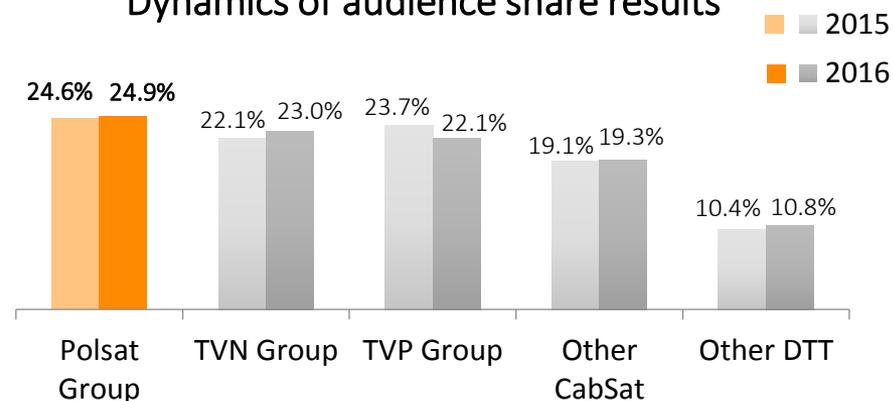


- Polsat Group and the main channel POLSAT are viewership leaders in the commercial group
- Polsat Group viewership in line with the long-term strategy

Audience shares



Dynamics of audience share results



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

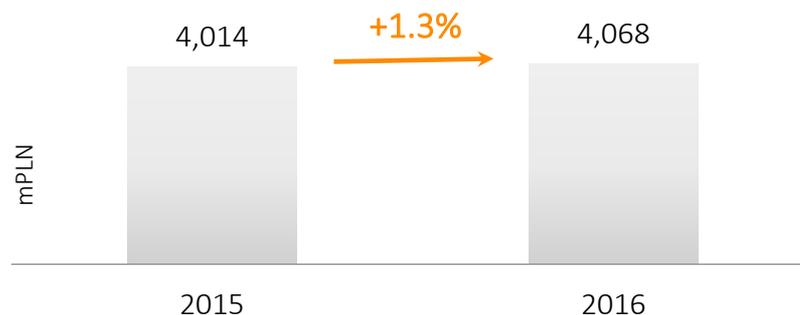


Position on the advertising market in 2016



- TV advertising and sponsorship market increased by 1.3% YoY in 2016
- Revenue from TV advertising and sponsorship of TV Polsat Group grew much faster than the market (positive effect of UEFA EURO 2016)
- Our share in the TV advertising and sponsoring market increased to 26.9%

Market expenditures on TV advertising and sponsorship



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



Source: Starcom airtime and sponsorship; TV Polsat; internal analysis

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

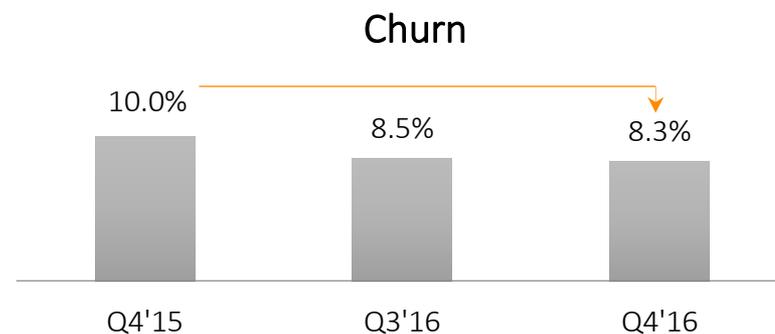
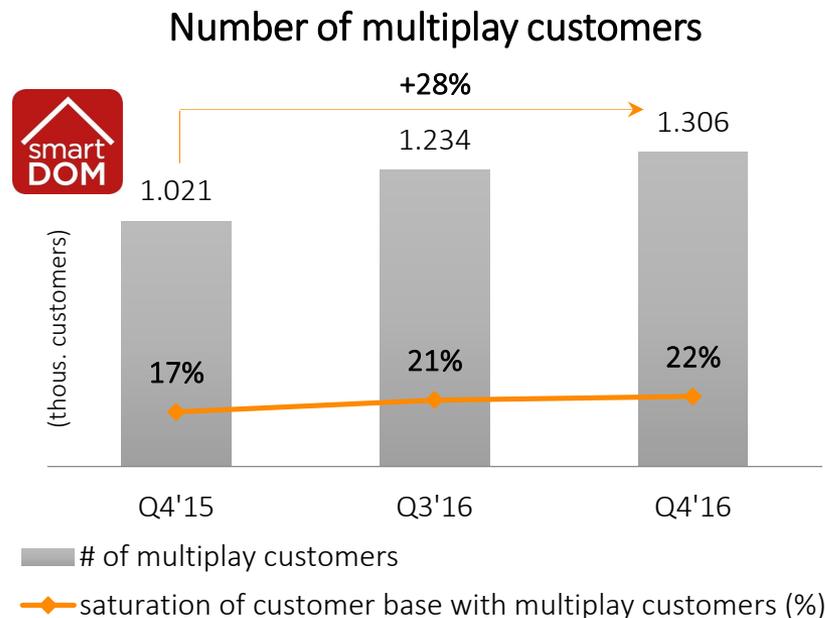


2.2 Services to individual and business customers



Multiplay strategy is effective

- Dynamic growth in the number of customers of the multiplay offer by 285K YoY
- As many as 22% of our contract customers already use the multiplay offer, which is positively reflected in reported churn (the lowest over the past 3 years)



SmartDOM – the strategy of success



1. Start with one service



+

2. Buy further items from the wide array of smartDOM products and services

(the more you choose, the more you save)



=

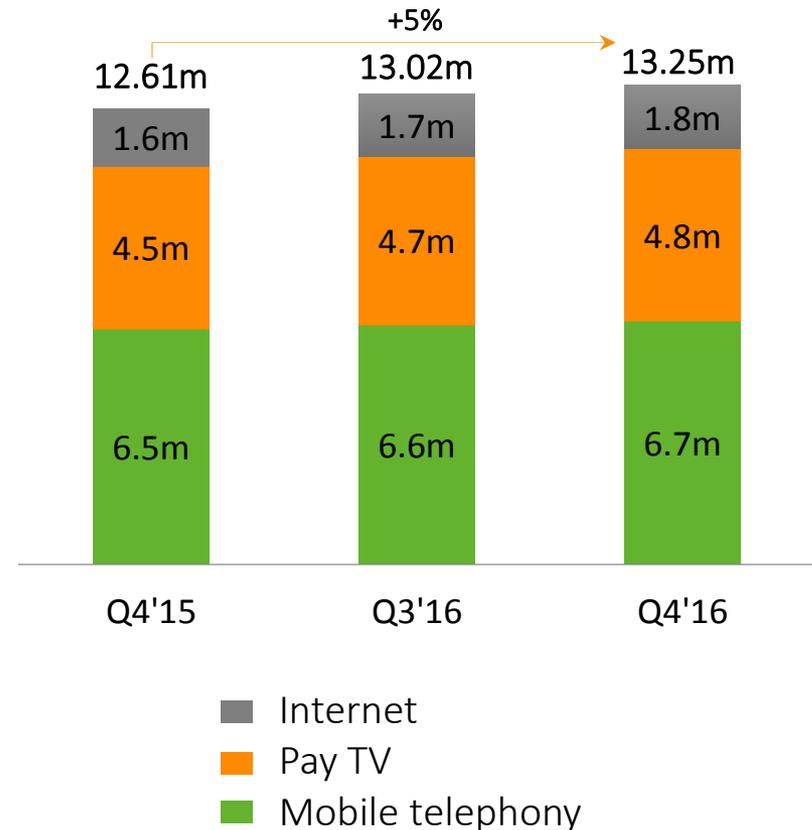


3. Create your own smartDOM and save even as much as PLN 1000 yearly

Contract services – historically strong quarter

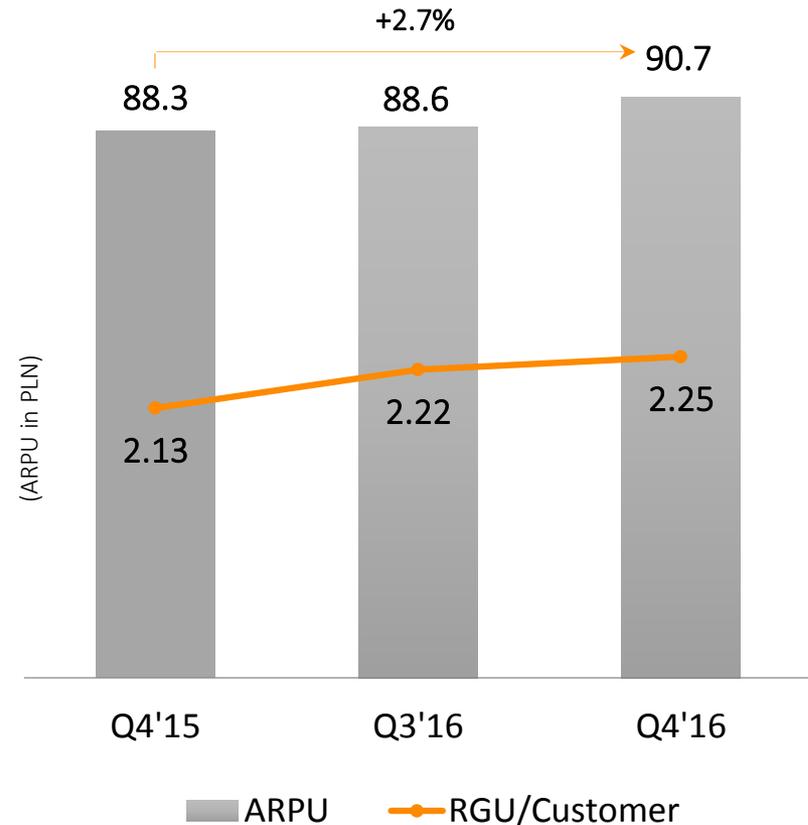


- Strong growth in the number of contract services by 640K YoY
- 214K YoY of additional mobile telephony RGUs mainly due to the favorable effect of our multiplay strategy, supported in recent months by intensified migration of customers from the prepaid segment
- Pay TV RGUs increased by 263K YoY (the effect of multiroom and OTT)
- Further growth in Internet access RGUs by 163K YoY



Effective building of ARPU

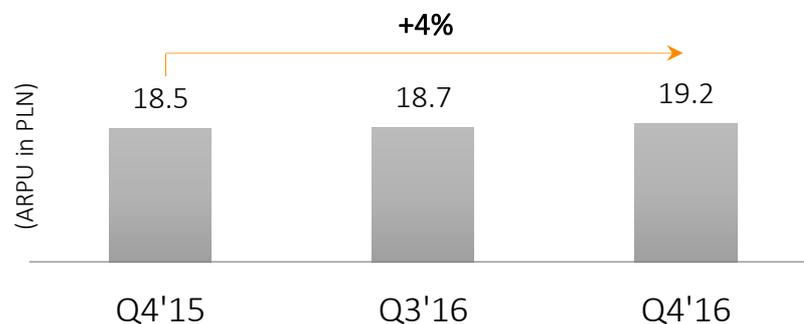
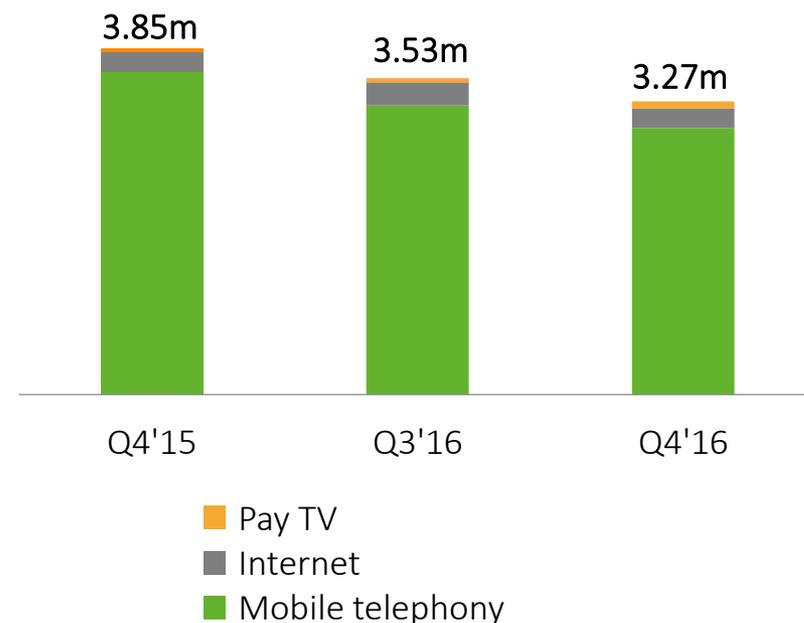
- High growth rate of ARPU in Q4'16
- nearly 3% and PLN 2.4 YoY on a highly competitive market
- Successful product up-selling reflected in the growth of saturation of RGUs per customer



Statutory duty of SIM card registration is reflected in the performance of the prepaid segment



- Intensified migration of prepaid customers to contract offers, combined with a rapid decrease in sales of new SIM cards on the entire prepaid market
- At the beginning of February and March 2017, respectively, we had already over 2.7m and more than 2.8m registered prepaid SIM cards⁽¹⁾
- The effects of mandatory registration of prepaid cards will be fully reflected in the RGU base in Q1'17



Note: (1) according to the 90-day usage definition

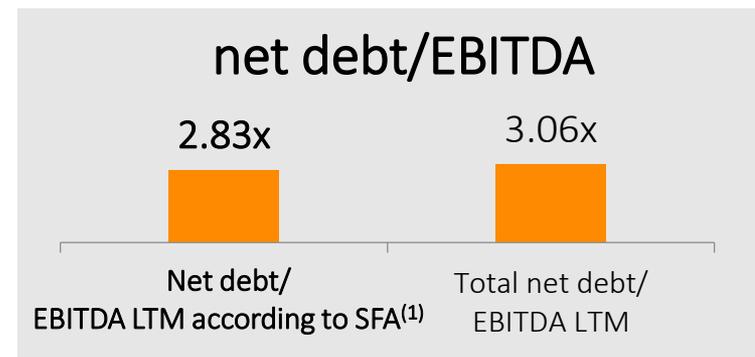
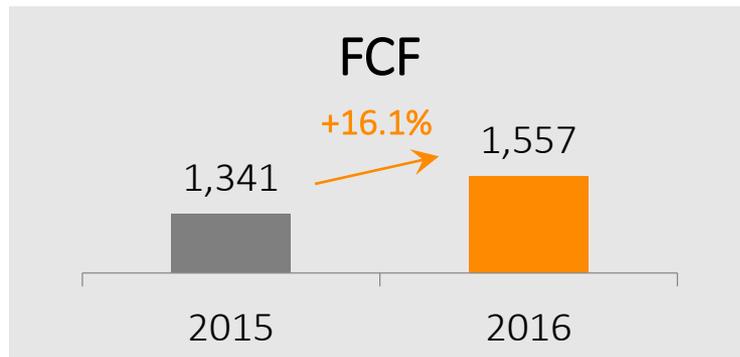
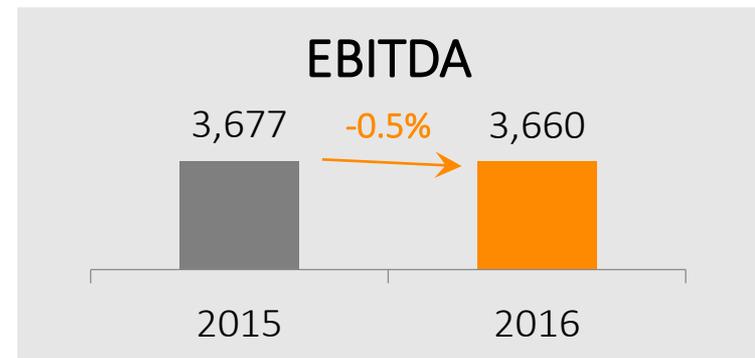
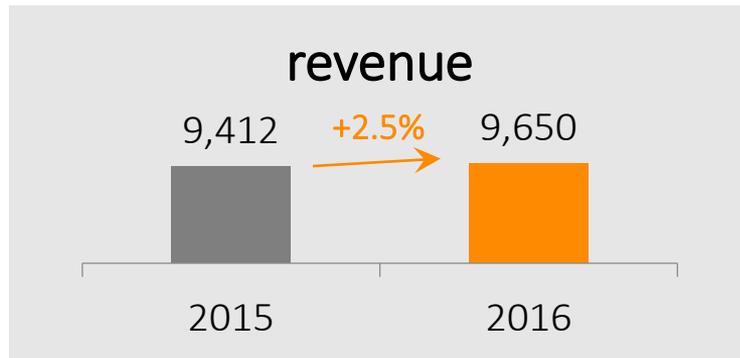


3. Pro-forma financial results

Full quarterly consolidation of Aero2 Group results
(previously Midas Group)



Pro-forma results of the Group in 2016

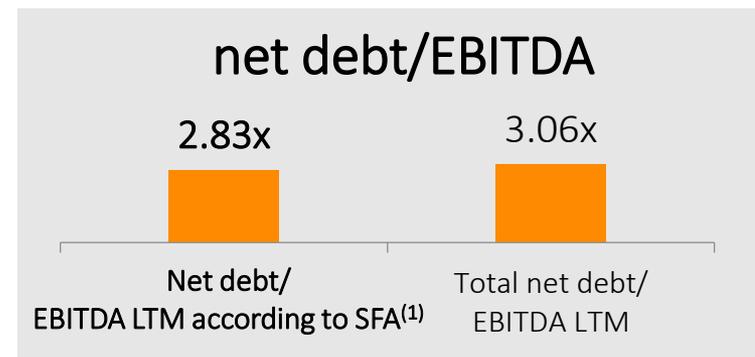
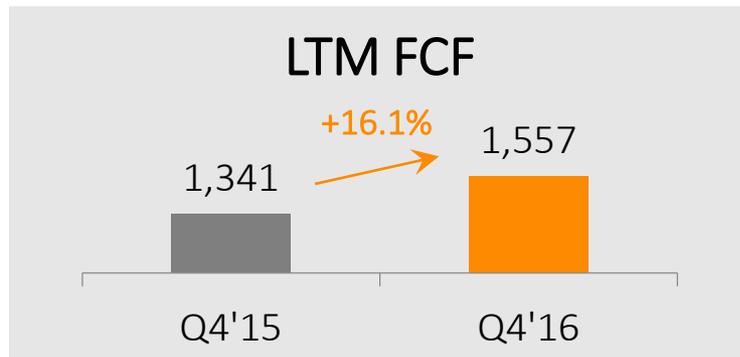
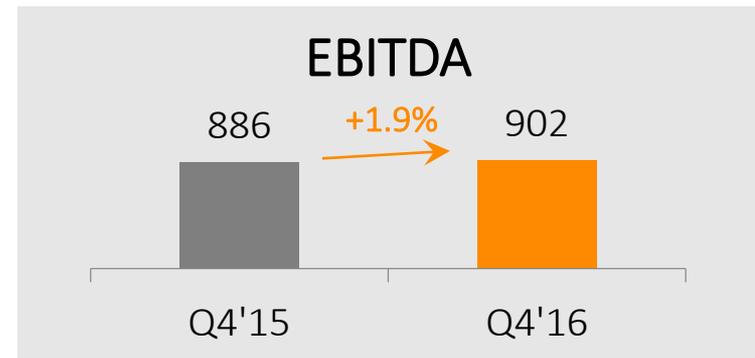
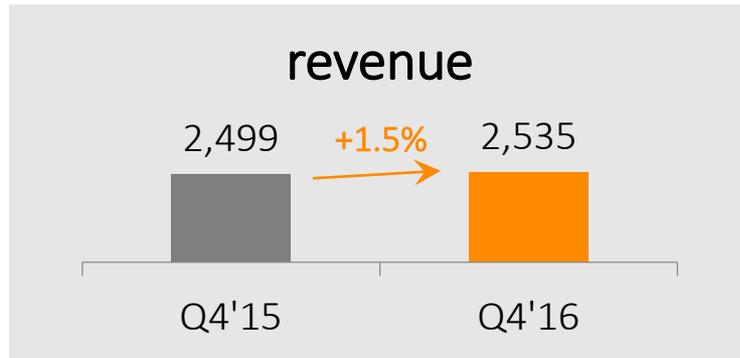


Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis

Note: (1) Net leverage according to SFA definition, i.e., excluding non-cash serviced debt



Pro-forma results of the Group in 4Q'16



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis

Note: (1) Net leverage according to SFA definition, i.e., excluding non-cash serviced debt



Pro-forma results of the segment of services to individual and business customers



mPLN	Q4'16	YoY change	2016	YoY change
Revenue	2,178	1%	8,396	1%
Operating costs ⁽¹⁾	1,427	2%	5,309	4%
EBITDA	749	-2%	3,096	-4%
EBITDA margin	34.4%	-0.8pp	36.9%	-2.1pp

Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis

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



Results of the broadcasting and TV production segment



mPLN	Q4'16	YoY change	2016	YoY change
Revenue	414	7%	1.484	14%
Operating costs ⁽¹⁾	258	-1%	920	8%
EBITDA	154	23%	563	27%
EBITDA margin	37.1%	4.8pp	38,0%	3.7pp

Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis

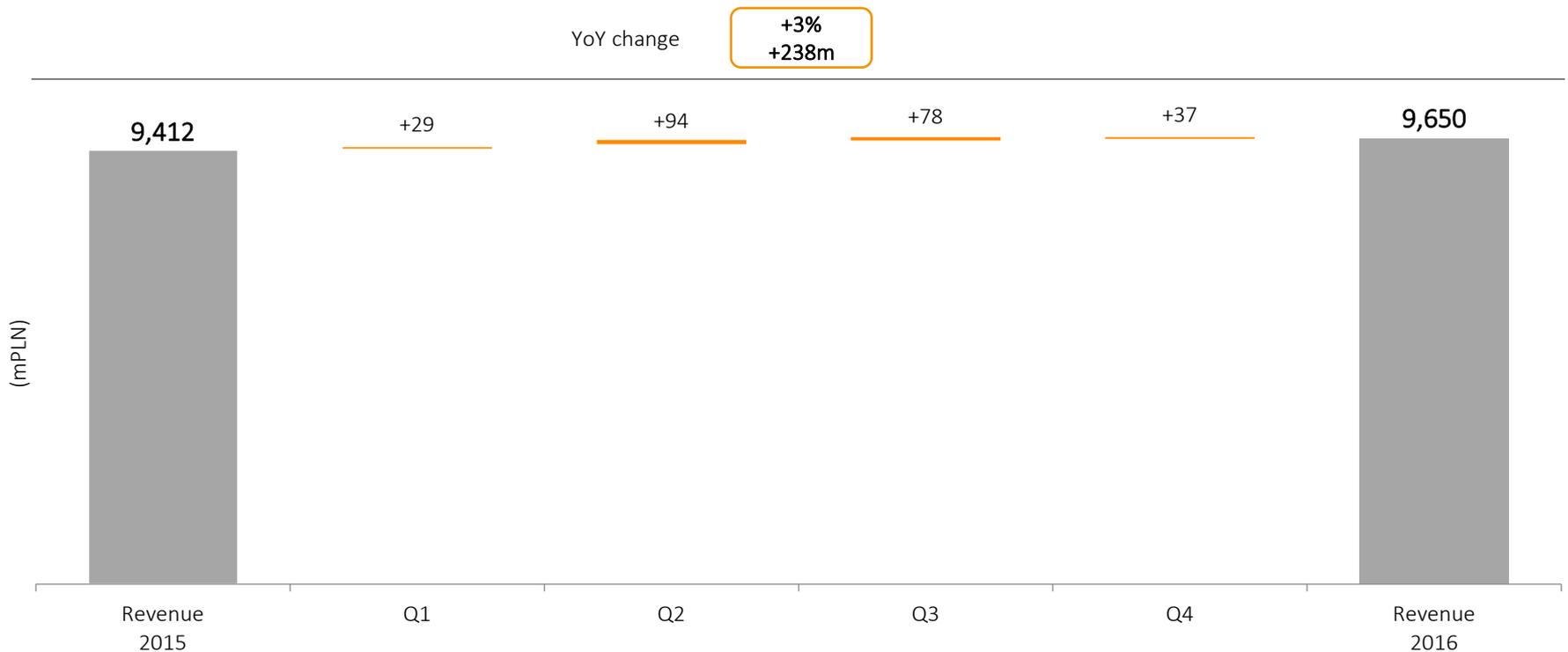
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



Stable growth of pro-forma revenue



Revenue



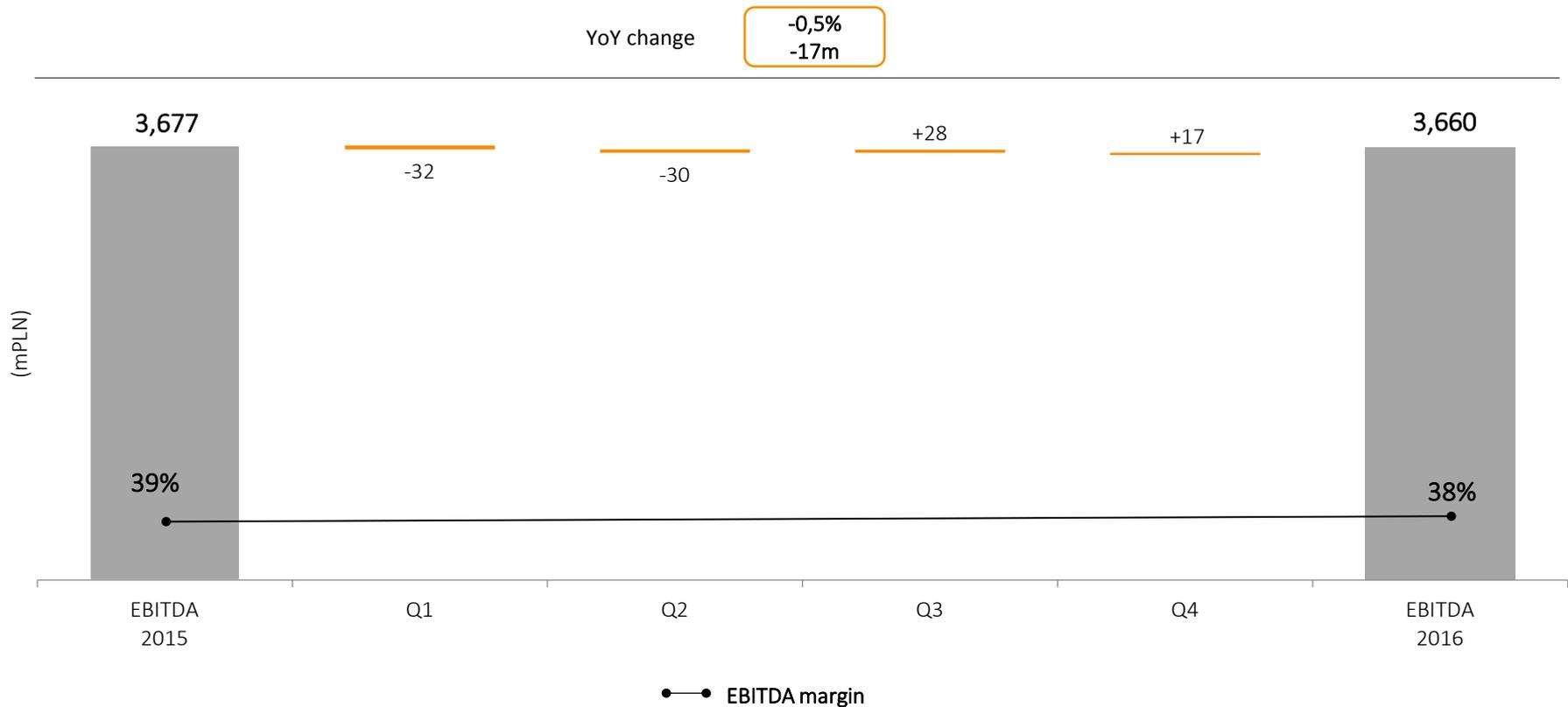
Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis



Stable pro-forma EBITDA on a highly competitive market



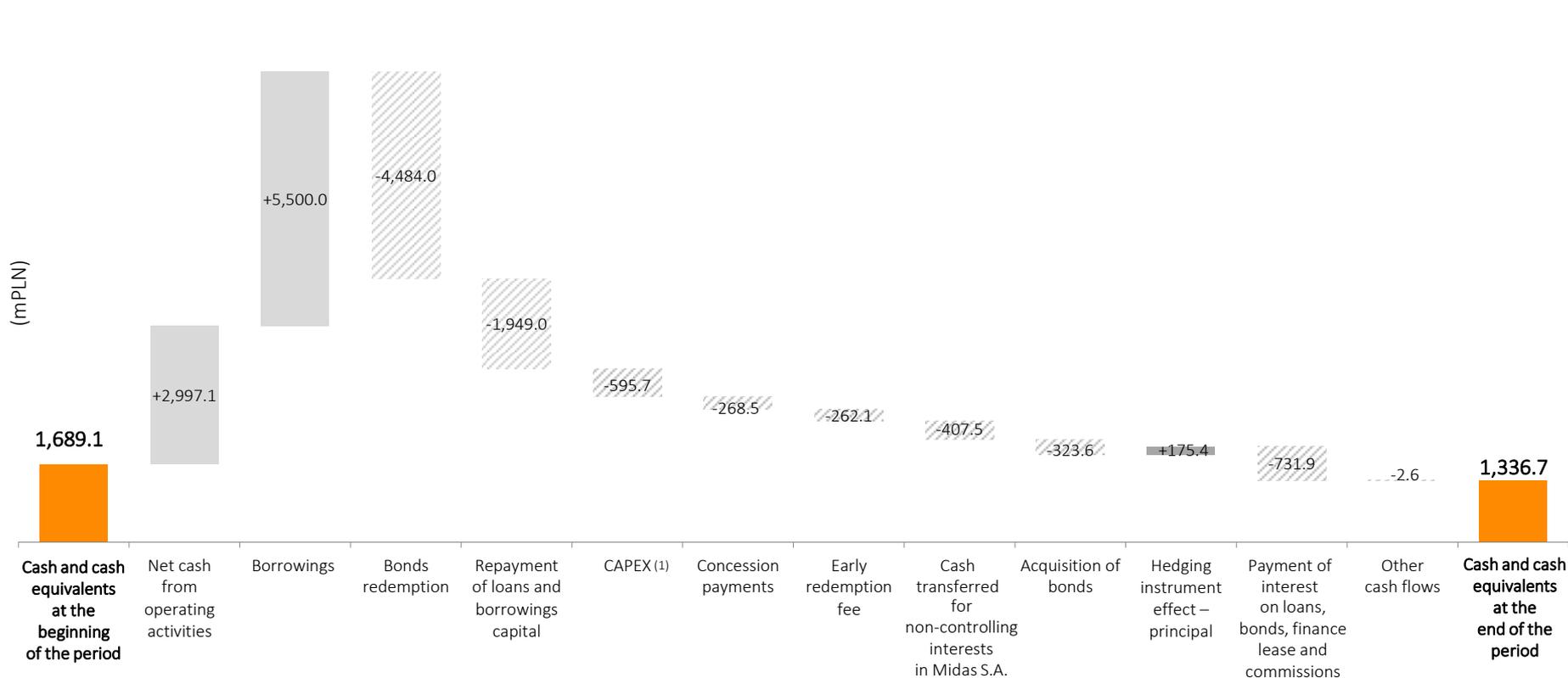
EBITDA



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis



Pro-forma cash flow statement in 2016



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis

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

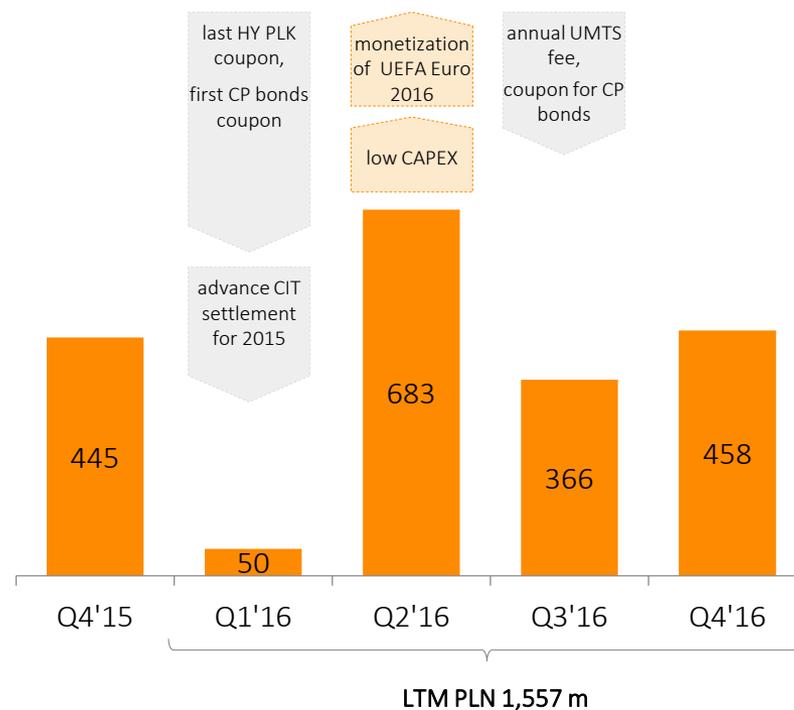


Pro-forma FCF above expectations



mPLN	Q4'16	2016
Net cash from operating activities	744	2,885
Net cash used in investing activities	135	-1,003
Payment of interest on loans, borrowings and bonds ⁽¹⁾	-98	-730
FCF after interest	781	1.152
Acquisition of entities (including cash)		144
Repayment of Midas bonds	-324	
FCF of Midas Group in January-February 2016		105
One-off payment for the purchase of the 2.6 GHz band		156
Adjusted FCF after interest	458	1,557

Adjusted FCF after interest⁽²⁾



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously 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



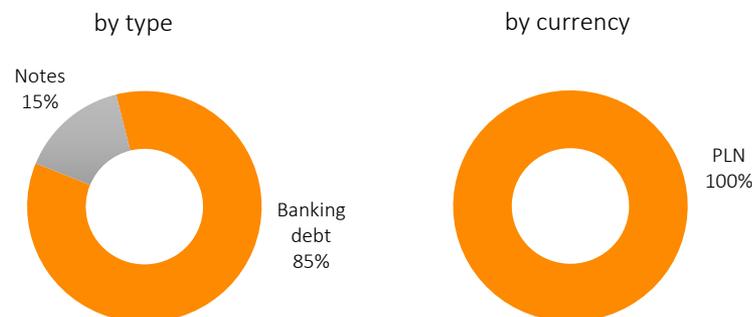
The Group's debt as at 31 December 2016



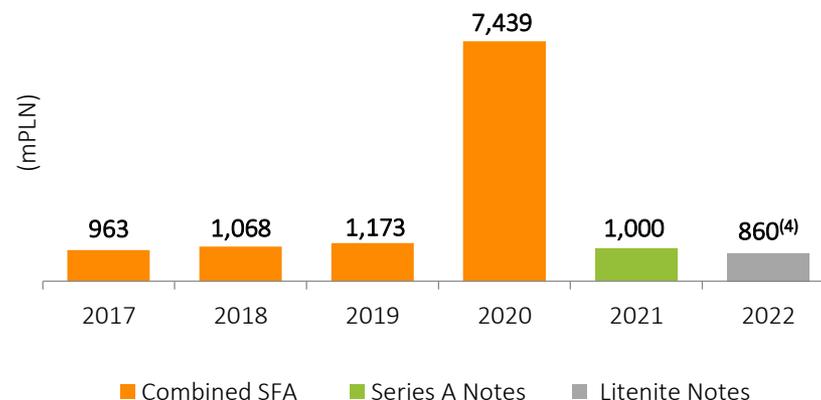
mPLN	Carrying amount as at 31 December 2016
Combined Term Facility	10,573
Revolving Facility Loan	-
Series A Notes	1,018
Zero-coupon Litenite Notes	860
Leasing and other	26
Gross debt	12,477
Cash and cash equivalents ¹	(1,337)
Net debt	11,140
EBITDA LTM	3,641
Net debt / EBITDA LTM according to SFA²	2.83
Total net debt / EBITDA LTM	3.06

¹ This position comprises cash and cash equivalents, including restricted cash
² Net leverage according to SFA definition, i.e. excluding non-cash serviced debt
³ Nominal value of the indebtedness as at 31 December 2016 (excluding the Revolving Facility Loan)
⁴ Liabilities related to the Litenite Notes as at 31 December 2016

Our debt structure²



Our debt maturing profile³



4. Summary and objectives for 2017



Objectives for 2016 have been achieved



- Finalization of the acquisition of Midas shares and effective integration of Midas into the Polsat Group structure



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



- Growth of viewership figures of Polsat channels and highly dynamic growth of advertising revenues, augmented by the commercial success of the UEFA EURO 2016 project



- Maintenance of high margins, debt reduction and improved FCF levels



Our expectations and goals for 2017



- Maintaining the growth rate of the number of services (RGUs) and customer base saturation with integrated services
 - Consistent building of ARPU per customer
-
- Continuation of our strategy of maintaining audience shares (23-25%) and growth of revenue from advertising, at least in line with the growth rate of the TV advertising market
-
- Maintaining a high level of margins of our business
 - CAPEX at max. 10% of revenue
 - FCF LTM at a level not lower than in 2016



5. Additional information

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5.1 Pro-forma financial results of Polsat Group

Full quarterly consolidation of Aero2 Group results
(previously Midas Group)

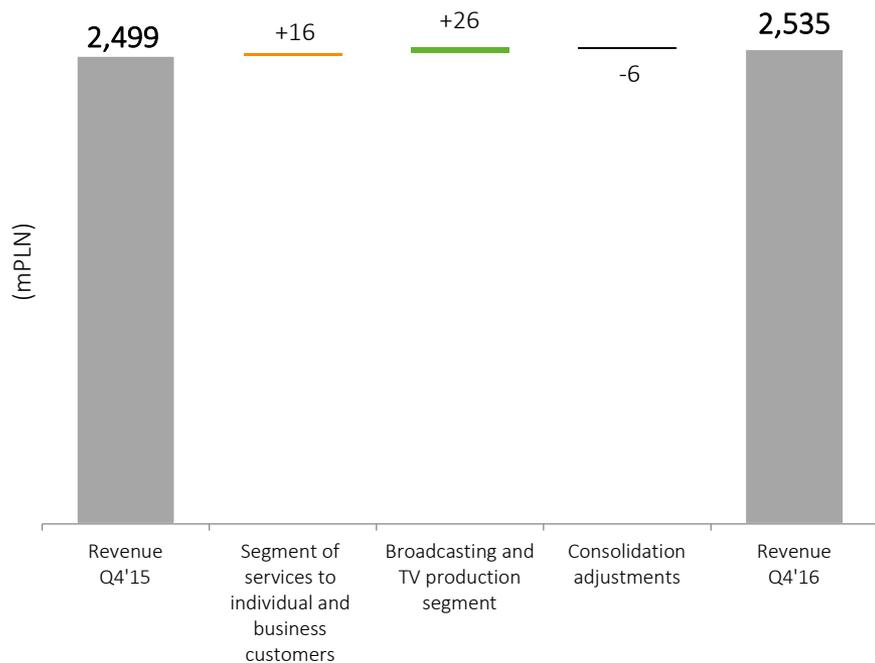


Pro-forma revenue and costs – change drivers in Q4'16



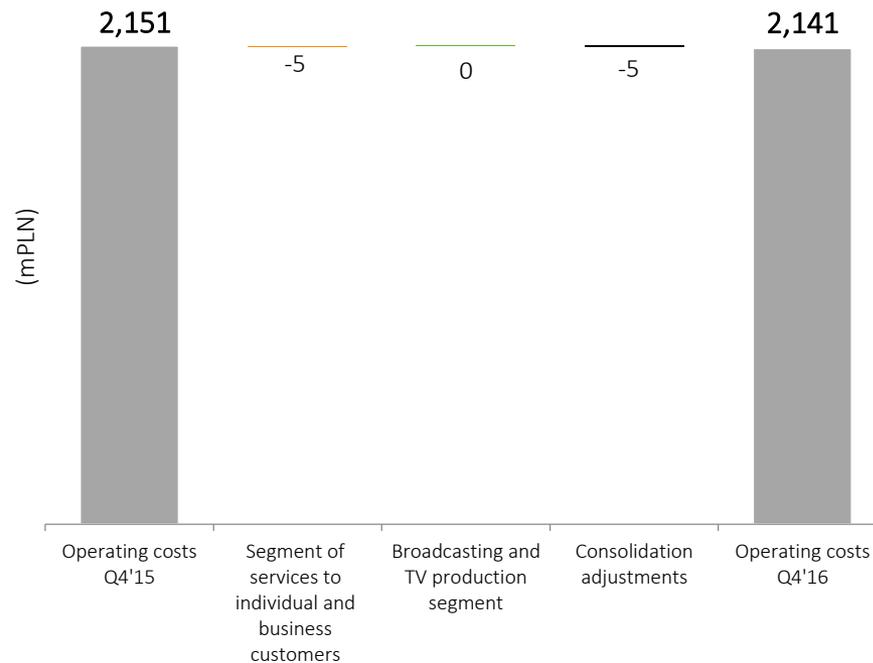
Revenue

YoY change **+1%**
+37m



Operating costs

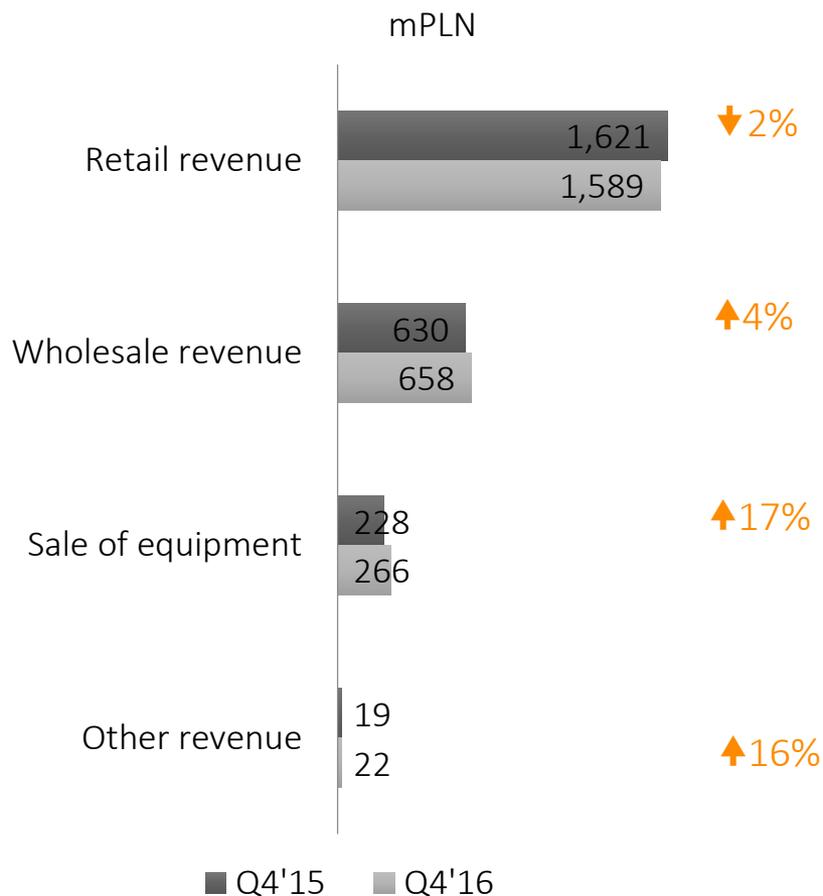
YoY change **-1%**
-11m



Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis



Pro-forma revenue structure in Q4'16



- Decrease of revenue from voice services partially compensated by higher revenue from pay TV services and Internet access services
- Growing revenue from IC settlements as well as advertising and sponsoring revenue generated by our thematic channels and the main channel impact the dynamics of wholesale revenue
- Higher revenue from sale of equipment, mainly due to the growing share of sales of equipment based on the installment plan model

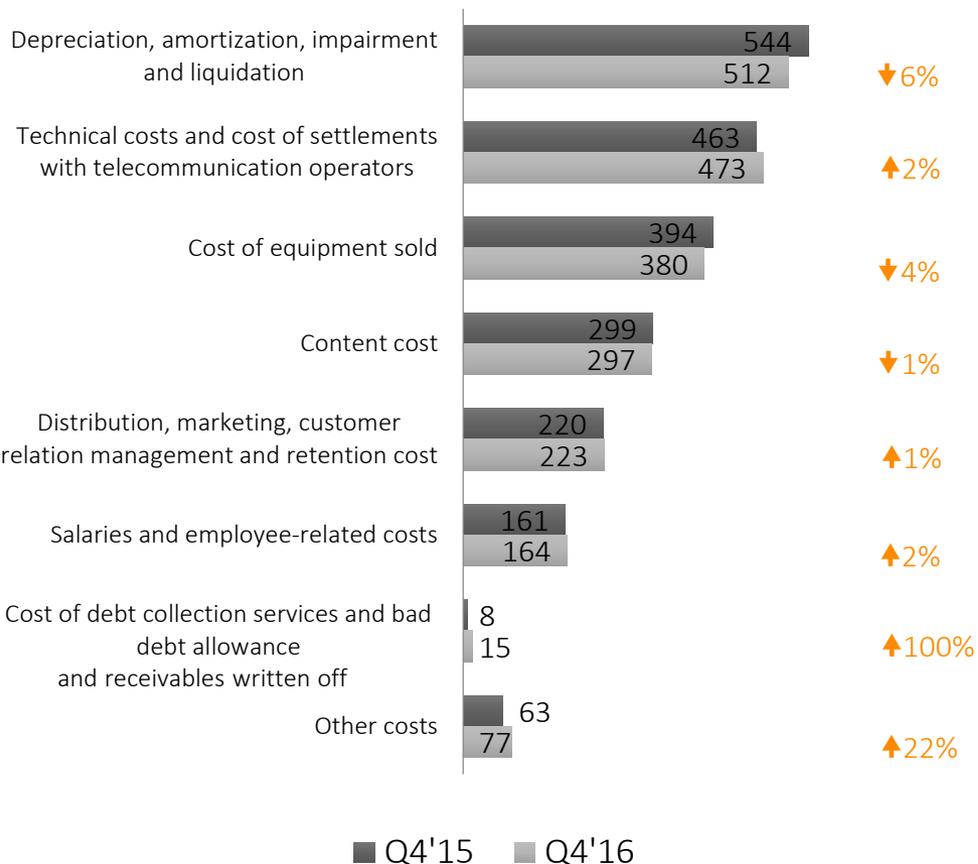
Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis



Pro-forma operating costs structure in Q4'16



mPLN



- Lower depreciation costs – base effect (impairment of selected elements of infrastructure in 2015)
- Higher technical costs influenced by growing IC costs
- Decrease in the cost of equipment sold mainly due to lower total volume of equipment sold to customers

Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis



5.2 Reported financial results of Polsat Group

Consolidation of Aero2 Group (previously Midas Group) from 29 February 2016



Financial results of Polsat Group in Q4'16



mPLN	Q4'16	YoY change
Revenue	2,535	-3%
Operating costs ⁽¹⁾	1,628	-5%
EBITDA	902	2%
EBITDA margin	35.6%	1.8pp
Net profit	342	84%

- The Group's performance is affected by the consolidation of Aero2 Group (previously Midas Group) results as of 29 February 2016
- The level of operating costs mainly affected by lower technical costs and costs of settlements with telecommunication operators, as well as higher costs of equipment sold
- Level of net profit under the influence of the one-off recognition of an asset related to deferred income tax recognized in connection with transactions that are subject to elimination during the process of consolidation. The recognition of the abovementioned asset had a positive effect on the consolidated net profit of Polsat Group in the amount of PLN 104m

Source: Consolidated financial statements for the year ended December 31, 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 Q4'16



mPLN	Q4'16	YoY change
Revenue	2.178	-4%
Operating costs ⁽¹⁾	1.427	-6%
EBITDA	749	-1%
EBITDA margin	34.4%	1.2pp

- Level of revenue under the influence of lower retail revenue and wholesale and retail revenue, which was partially corrected by higher costs from sale of equipment
- The cost level mainly affected by lower technical costs and IC settlements

Source: Consolidated financial statements for the year ended December 31, 2016 and internal analysis

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



Results of the broadcasting and TV production segment in Q4'16



mPLN	Q4'16	YoY change
Revenue	414	7%
Operating costs ⁽¹⁾	258	-1%
EBITDA	154	23%
EBITDA margin	37.1%	4.8pp

- Higher revenue growth due to higher advertising and sponsoring revenue generated by our thematic channels and the main channel
- Operating costs under control, resulting in EBITDA increased YoY by PLN 28m

Source: Consolidated financial statements for the year ended December 31, 2016 and internal analysis

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

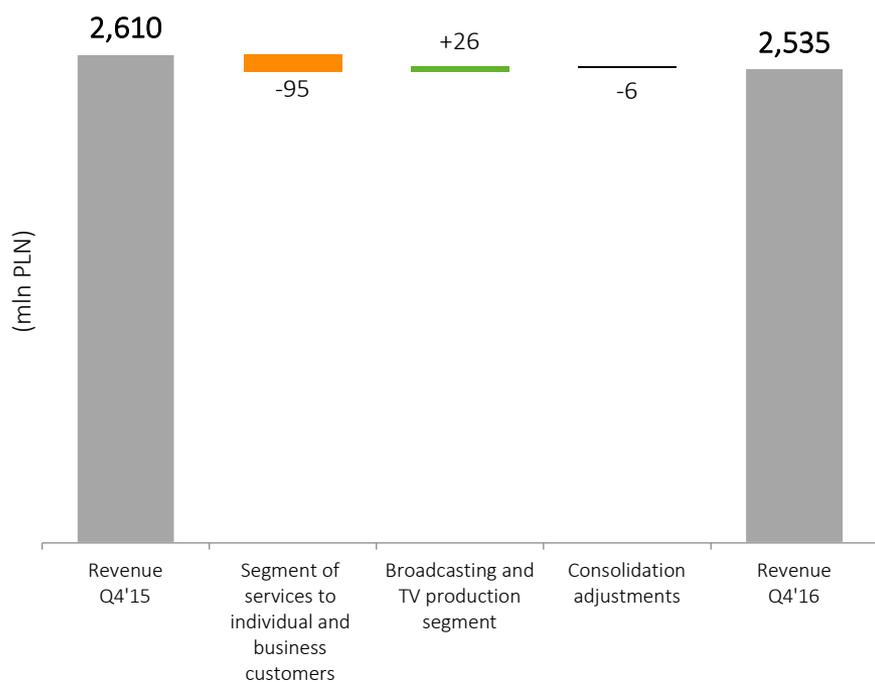


Revenue and costs – change drivers in Q4'16



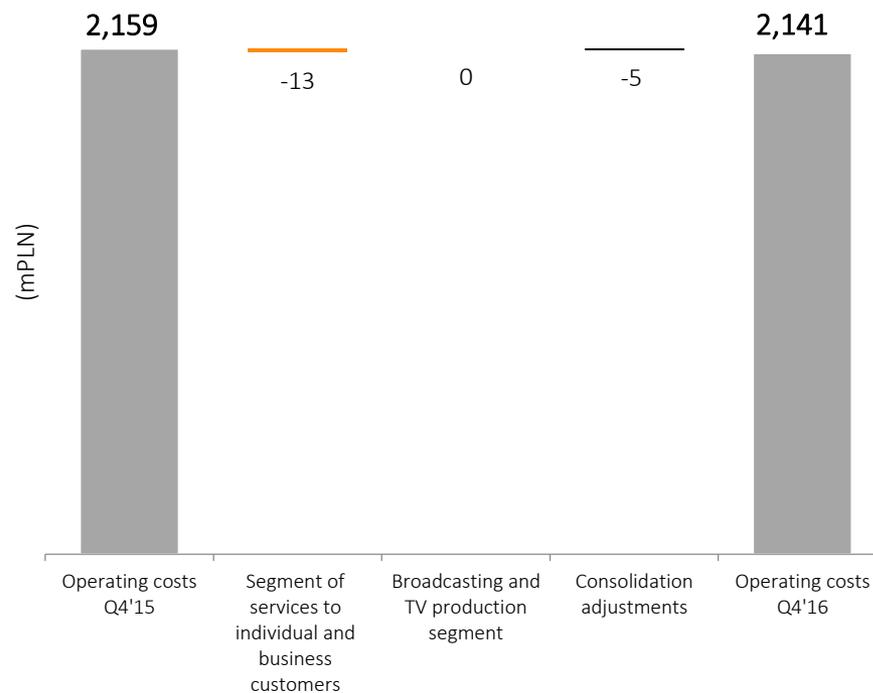
Revenue

YoY change **-3%**
-75 m



Operating costs

YoY change **-1%**
-18 m



Source: Consolidated financial statements for the year ended December 31, 2016 and internal analysis

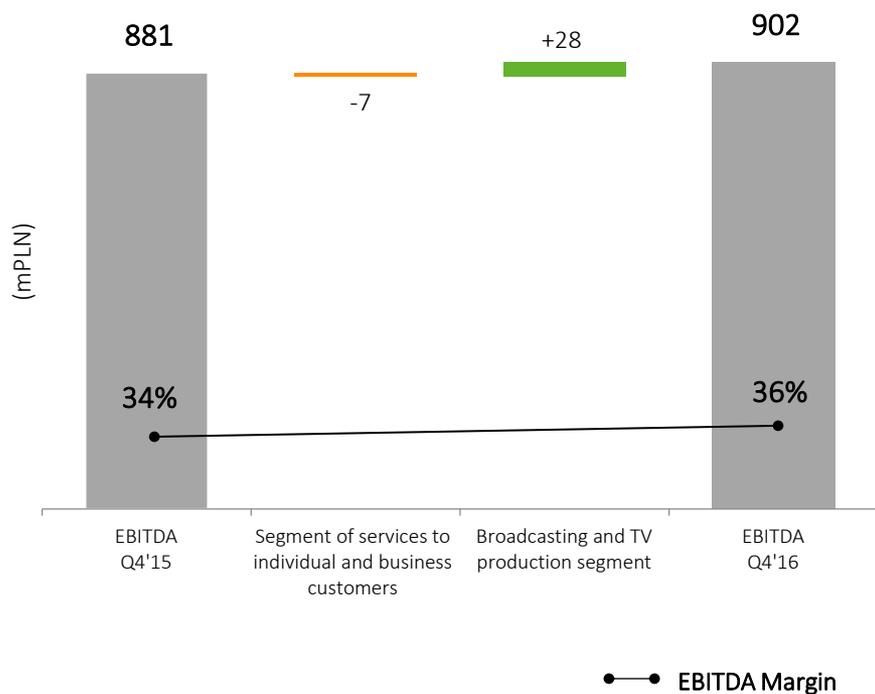


EBITDA and net profit – change drivers in Q4'16



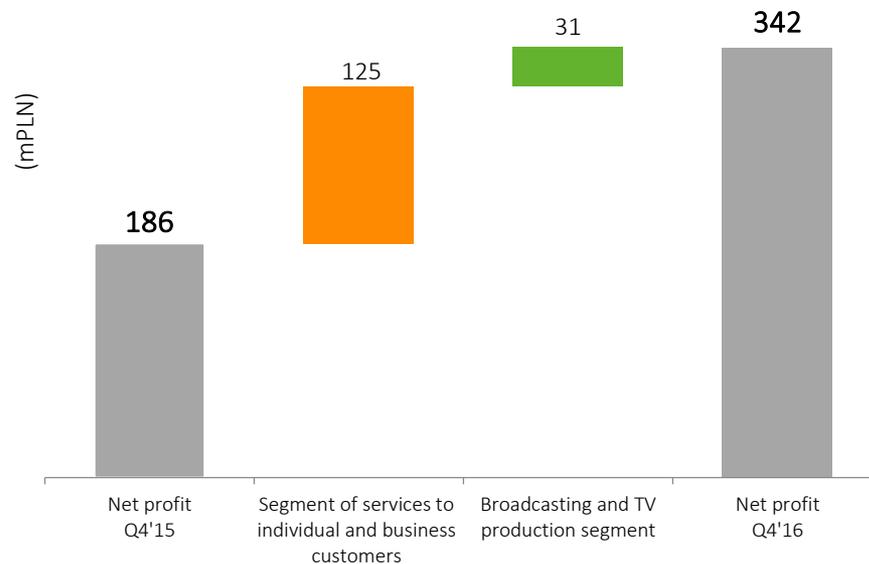
EBITDA

YoY change **+2%**
+21m



Net profit

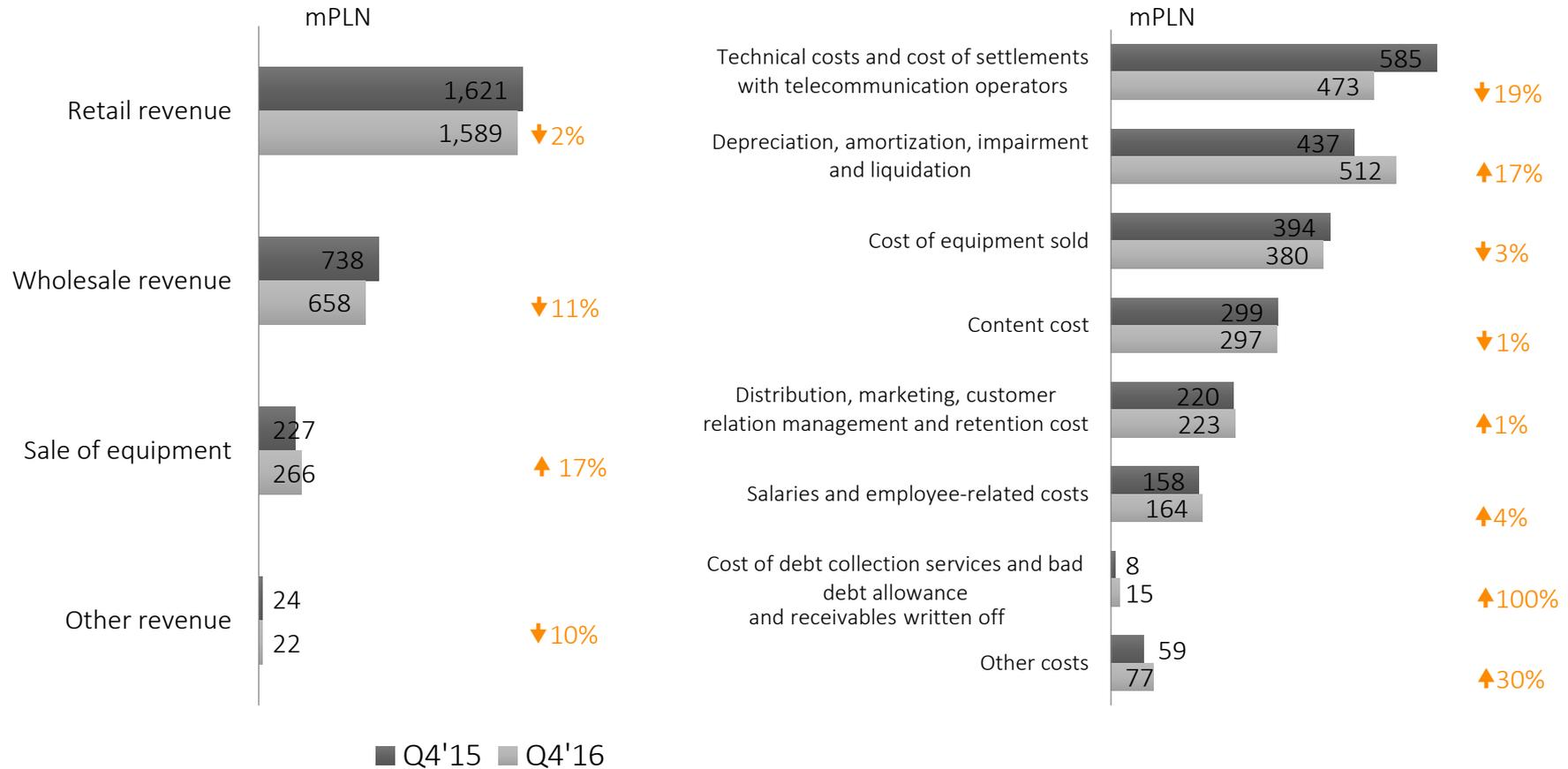
YoY change **84%**
156m



Source: Consolidated financial statements for the year ended December 31, 2016 and internal analysis



Revenue and operating costs structure in Q4'16



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