



# Financial results for the Q4 and full year 2014

4 March 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 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 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

**Tomasz Gillner-Gorywoda**  
President of the Management Board, CEO



# Key facts in Q4'14



**6.1m**

**contract customers**

**2.01** RGU

per customer

**PLN 87.2** ARPU

per customer

**24.5%**

audience share

**16.5m** RGU

**12.3m** contract services

**4.1m** prepaid services



**10.4m** telephony



**4.5m** pay TV



**1.6m** Internet

**24.8%**

ad market share



# Key facts in Q4'14



**PLN 2,521m**  
Revenue

**PLN 837m**  
EBITDA

**33.2%** EBITDA margin

**PLN 414m**  
FCF after interest

**3.0x**  
Net debt/EBITDA



# Key facts in 2014 (proforma)



**PLN 9,705m**  
Revenue

**PLN 3,787m**  
EBITDA

**39.0%** EBITDA margin

**PLN 1,173m**  
FCF after interest

**3.0x**

Net debt/EBITDA



# Key events



## Content

- Acquiring key media sport rights
  - PlusLiga and Orlen Liga men's volleyball league matches
  - 2015 and 2017 Men's and Women's European Volleyball Championships
  - FIVB Volleyball World League in men's volleyball

## Products and Services

- New terms of cooperation with Mobyland effective from January 1, 2015 - new settlement rate of PLN 2.40/GB
- Introduction of the HD Voice technology

## Others

- Consent of the Extraordinary General Meeting of the Company regarding the possibility of launching the Corporate Notes Issue Program
- Prepayment of a part of the term loan facility of Polkomtel in the amount of PLN 200m
- Participation in the auction for spectrum reservation in the 800 MHz and 2600 MHz bandwidth





## 2. Renegotiation of the agreement with Midas Group

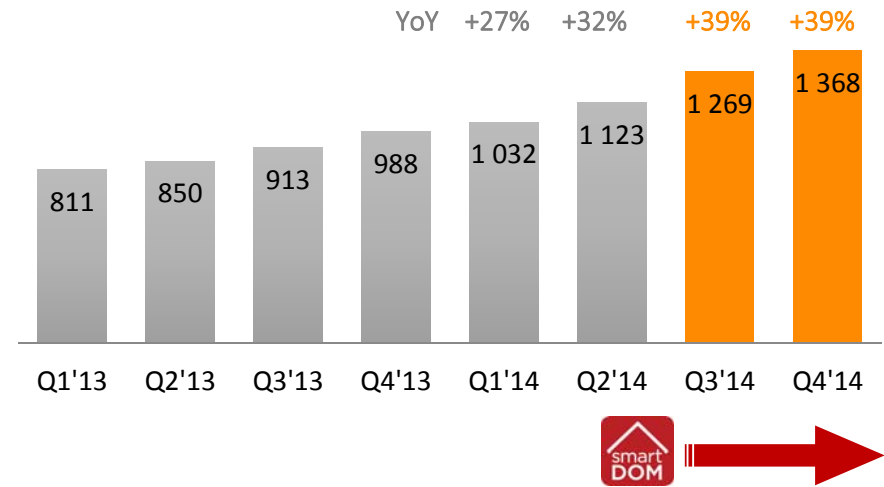


# Growth rate of our base of contract Internet access services increased to nearly 40% YoY

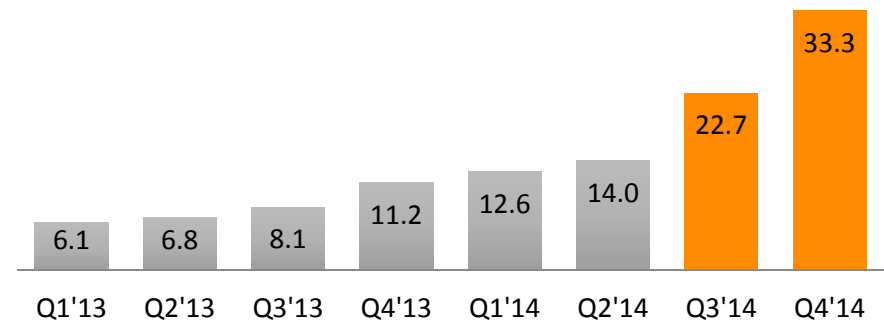


- The multiplay strategy has accelerated the rate of acquisition of new Internet RGUs, despite the fact that in the meantime other players entered the LTE market
- At the same time the number of smartphone users who actively use data transmission is growing rapidly
- As a result, in December 2014, 4.6m of the cards logged into our network were actively using data transmission
- This success also has a cost dimension: in 2014 our customers – by using Internet tariffs and transferring data via smartphones – consumed 83m GBs, which were purchased by Cyfrowy Polsat and Polkomtel from Midas Group

Growth of the base of contract Internet RGUs



GBs consumption on Midas bandwidth<sup>(1)</sup>  
(million GB)



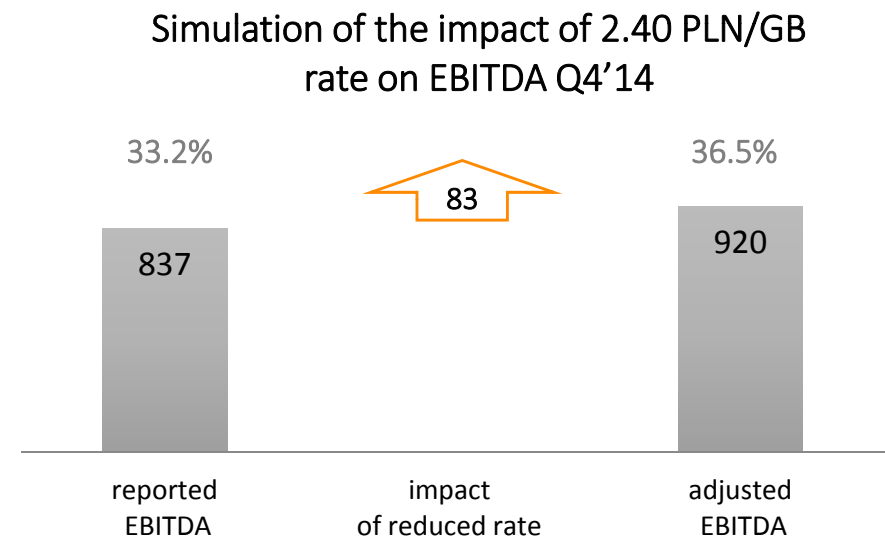
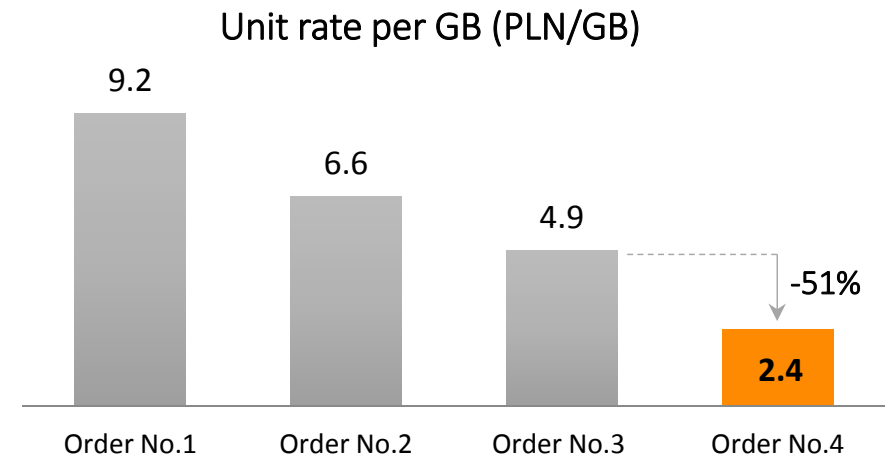
Source: (1) Public reports and presentations of Midas S.A. Group, [www.midasnfi.pl](http://www.midasnfi.pl)



# Renegotiation of the agreement with Midas was critical for maintaining the value within Cyfrowy Polsat Group



- As a result of placing Order No. 4 for 1.6b GBs (to be used in the 4-year period, starting from January 2015) a unit settlement rate has been reduced to the level of PLN 2.40/GB
- Improvement of commercial terms of cooperation with Midas Group will have a positive impact on the profitability of Cyfrowy Polsat Group in the forthcoming years
- Applying of PLN 2.40/GB rate to settle the cost of the consumed GBs in Q4'14 alone would translate into an improvement of EBITDA of Cyfrowy Polsat Group by PLN 83m and, consequently, the growth of EBITDA margin by 3.3pp



# 3. Operations Report





## 3.1 Services to individual and business customers

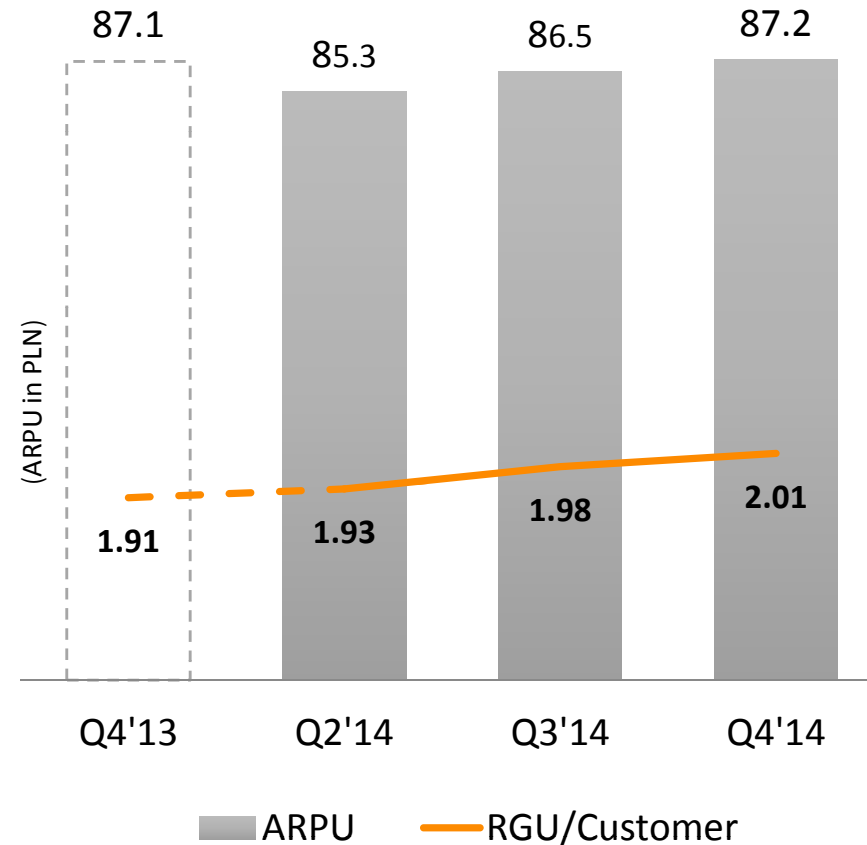
**Tomasz Gillner-Gorywoda**  
President of the Management Board, CEO



# Loyal contract customer base



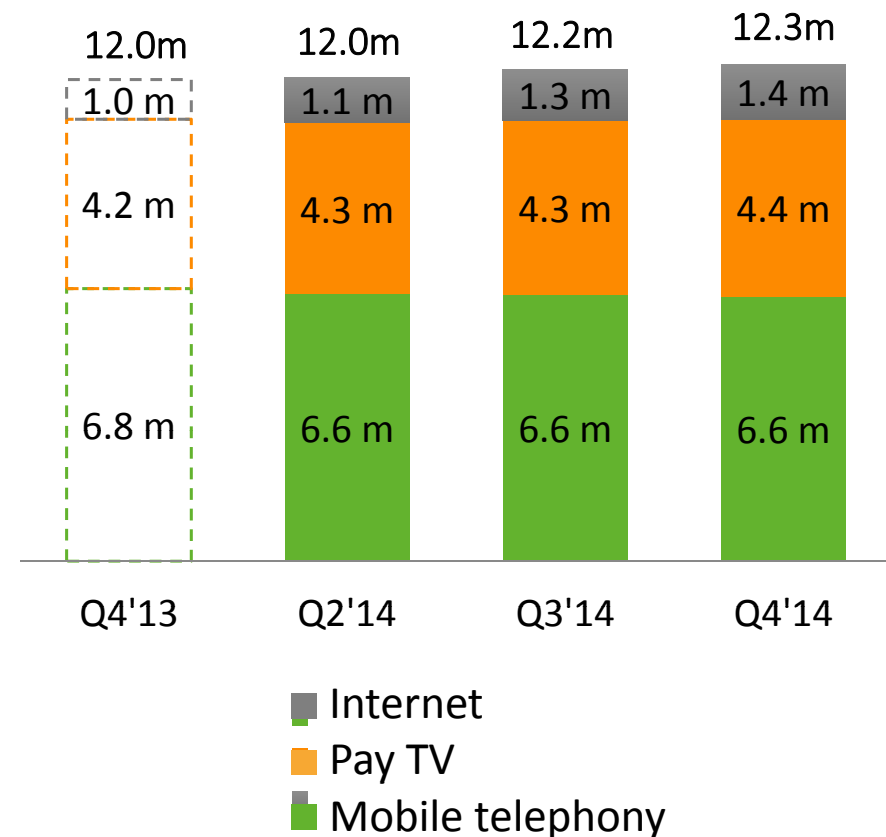
- Our customer base remains at the stable level of 6.1m
- Effective execution of the multiplay strategy has a direct, positive impact on the growth of the rate of RGU saturation per customer and ARPU per customer
- Low churn ratio of 9.1%



# Growing number of contracted services



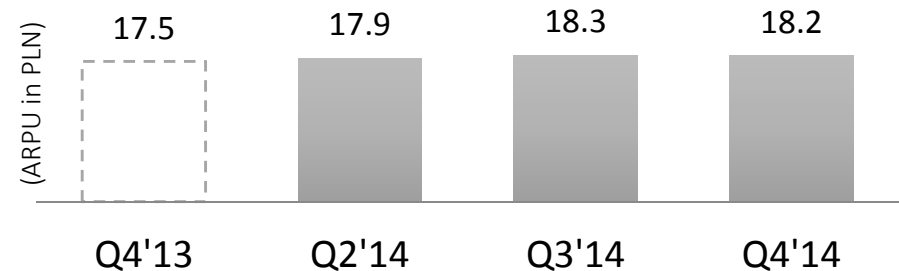
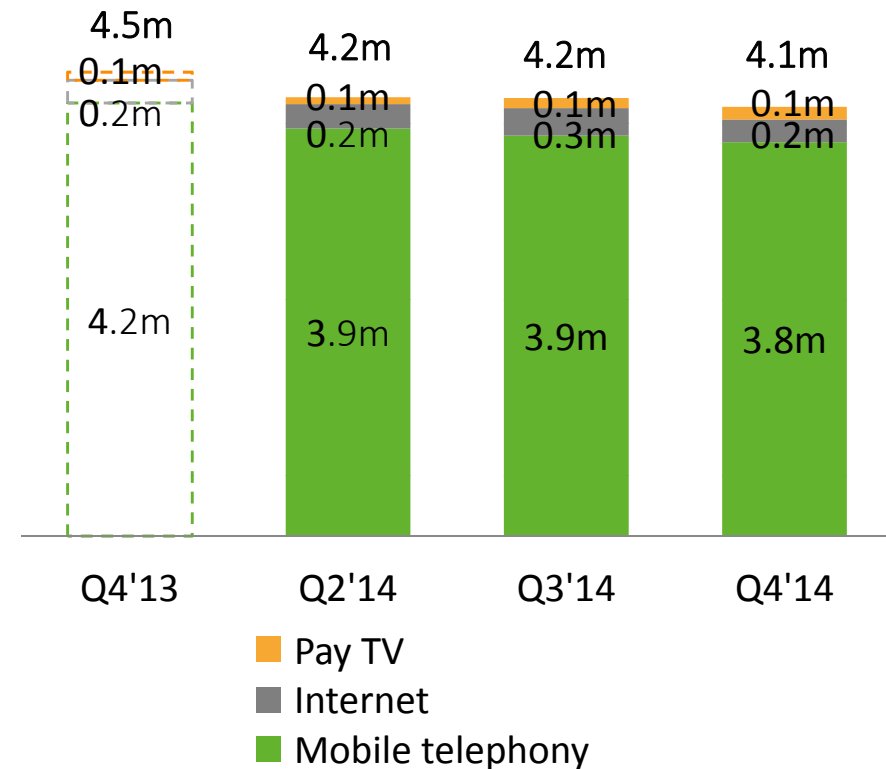
- Base of RGU contract services mainly affected by:
  - Cross-selling of core services to the combined customer base of Cyfrowy Polsat and Polkomtel within the smartDOM program
  - Multiroom Program driving the dynamic growth of the number of pay TV services provided
  - Rapidly growing impact of mobile internet services
- In the contract and prepaid model we already have a total of 1.6m of mobile Internet RGUs, which makes us an undisputed leader of this market



# Prepaid services



- After a seasonal intensification of usage during the summer holidays (Q3), the number of telecommunication RGUs decreased slightly in Q4'14
- ARPU for prepaid RGU in Q4'14 increased YoY by 4% to PLN 18.2

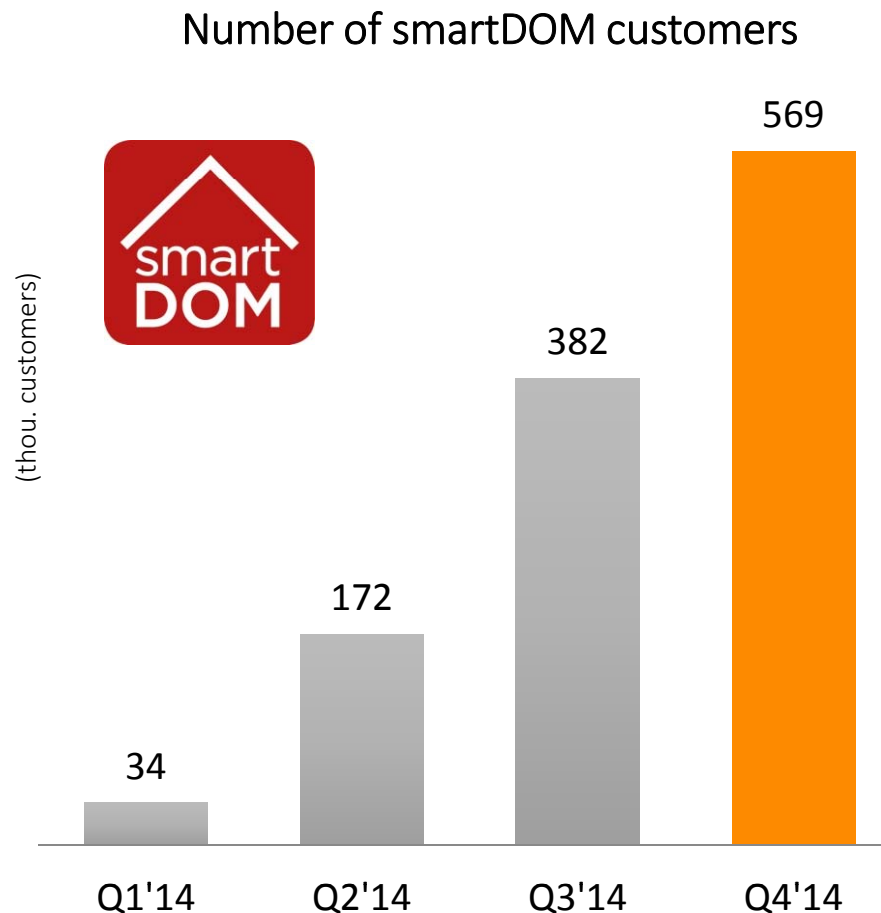




# Success of the multiplay strategy



- 569K of smartDOM customers at the end of Q4'14
- Total number of RGUs contracted by this group of customers amounts to 1.753m
- In Q4'14 alone, customers of smartDOM program purchased 394K additional services (RGU)





## 3.2 Broadcasting and TV production segment



**Maciej Stec**

Member of the Management Board

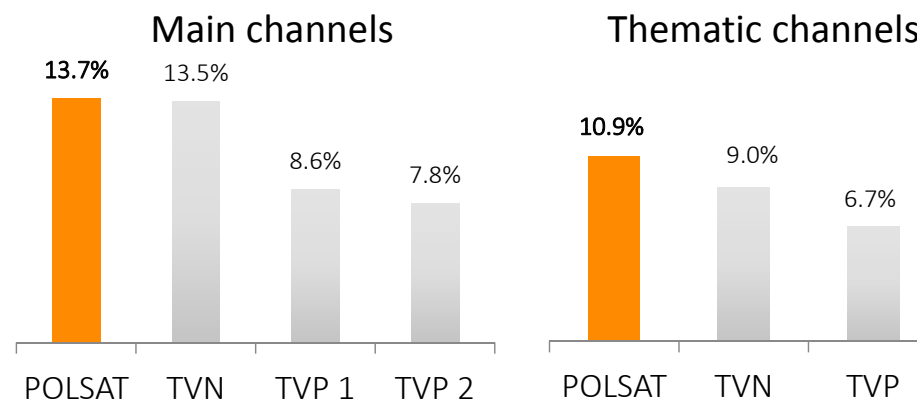


# Viewership of our channels in Q4'14

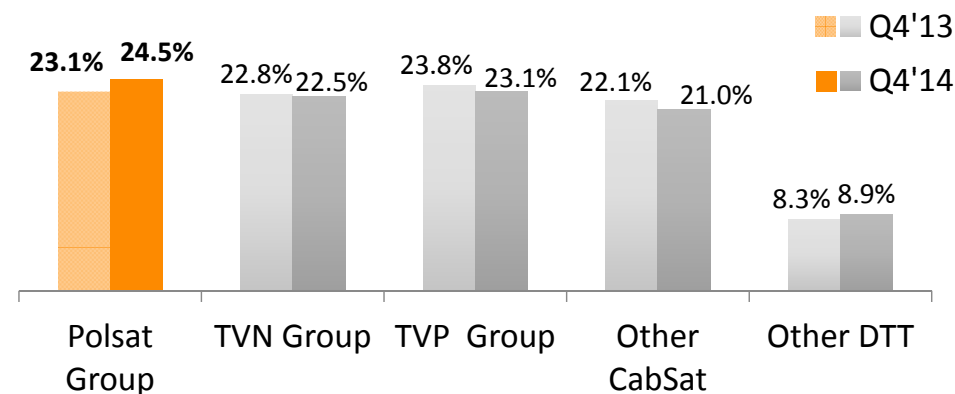


- Our main TV channel (Polsat) is the leader in viewership in the commercial group
- Polsat Group recorded the highest audience shares mainly due to the success of its autumn programming and the growth of viewership of thematic channels

## Audience shares



## Dynamics of audience share results



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

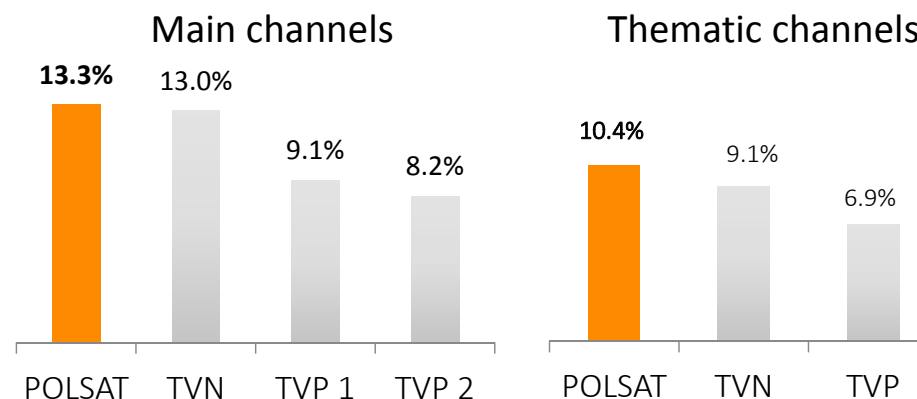


# Viewership of our channels in 2014

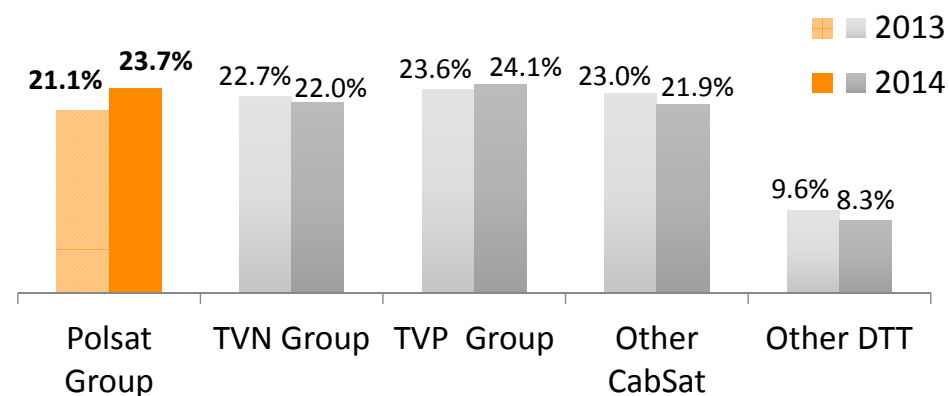


- Our main TV channel (Polsat) is the leader in viewership in the commercial group
- Total viewership results of Polsat channels in accordance with our long-term strategy

## Audience shares



## Dynamics of audience share results



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

Note: Polsat Group viewership in the 2013 includes the viewership results of TV4 and TV6 channels starting from September 1, 2013

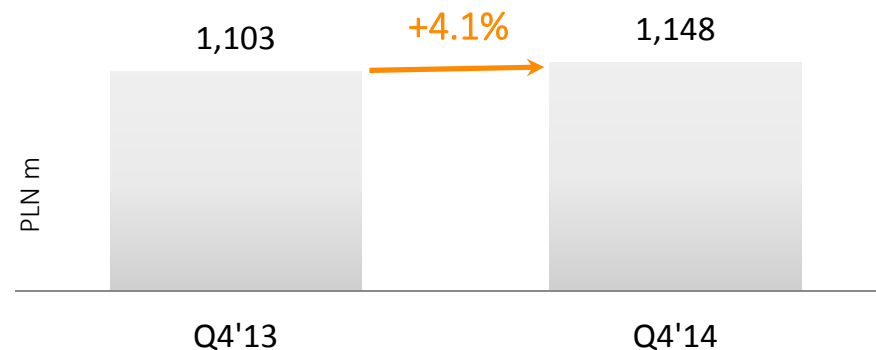


# Position on the advertising market in Q4'14

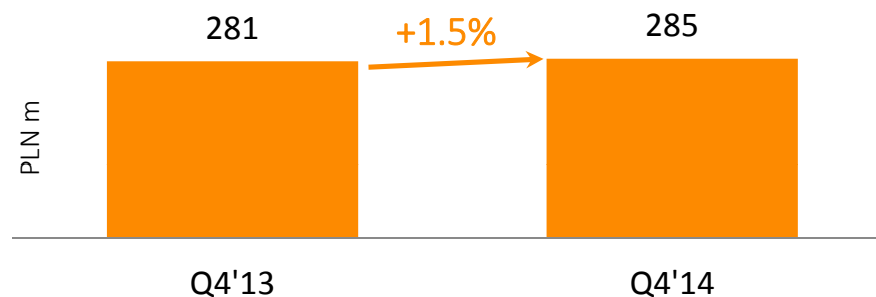


- TV advertising and sponsoring market in Q4'14 increased YoY by 4.1%
- Revenue from TV advertising and sponsoring of TV Polsat Group in line with the adopted strategy
- Our share in the TV advertising market amounted to 24.8%

## Market expenditures on TV advertising and sponsoring



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



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

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

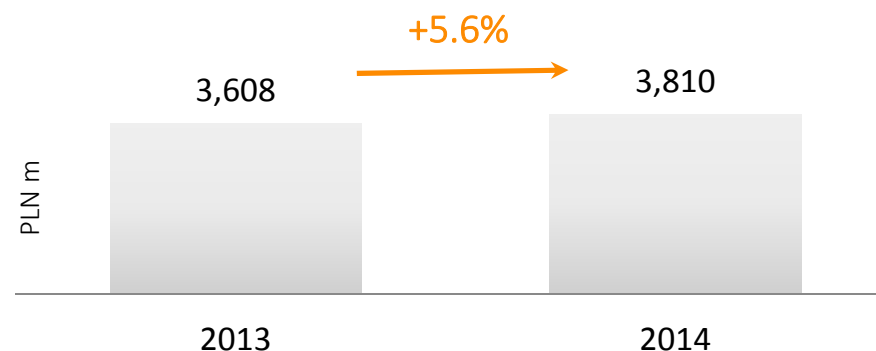


# Position on the advertising market in 2014

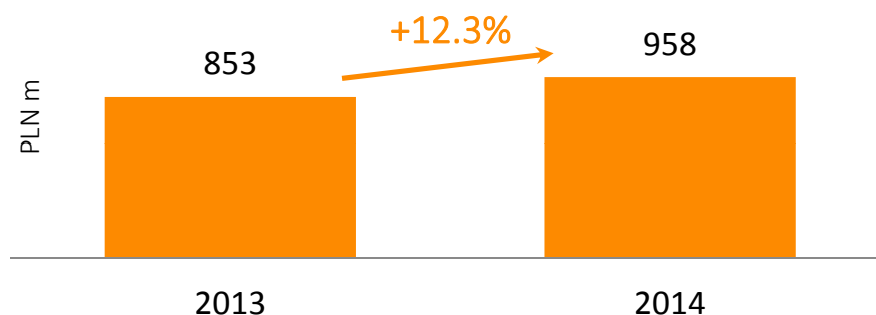


- Polsat TV revenue from TV advertising and sponsoring is growing much faster than the market
- Additionally, positive impact of TV4 and TV6 consolidated since September'13
- Our share in the TV advertising market increased from 23.6% to 25.1%
- Pro-forma growth of revenue from TV advertising and sponsoring<sup>(2)</sup> by 6.5%

## Market expenditures on TV advertising and sponsoring



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



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

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

(2) 2013 proforma, TV Polsat Group, Polskie Media S.A. (broadcaster of TV4, TV6)





# 4. Implementation of the strategy



**Tomasz Gillner-Gorywoda**

President of the Management Board, CEO



# Our strategy

- Utilizing the potential of the largest customer base in Poland and unique portfolio of products and services
- Multiplay strategy was the foundation of sales synergies estimated at a total of PLN 2bn until the end of 2019





# Multiplay strategy has a positive impact on all product lines



Mobile telephony



Pay-TV

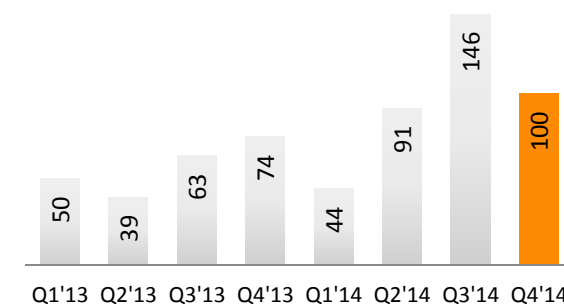
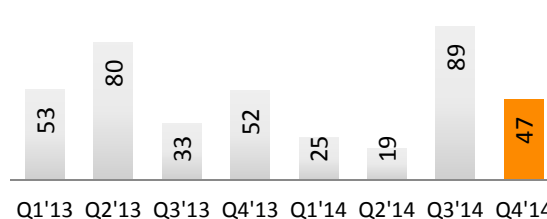
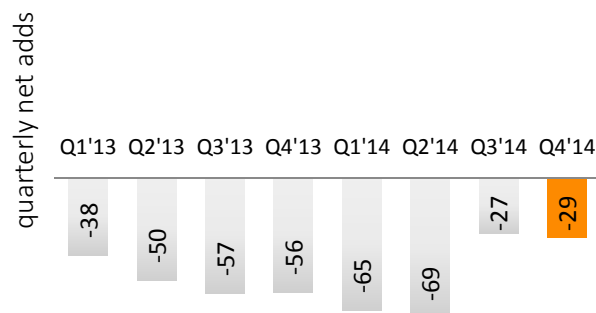
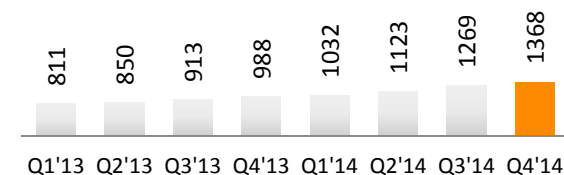
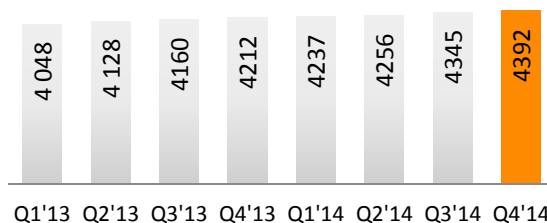
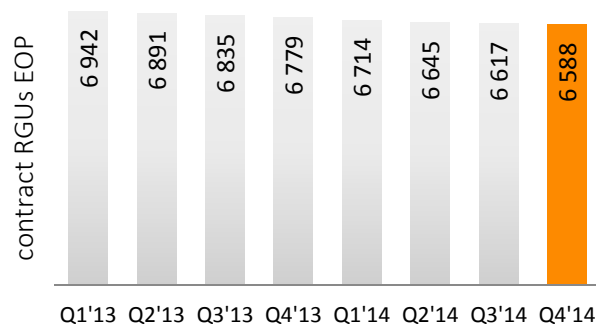


Internet

our aspirations: to stabilize the base

to sustain organic growth

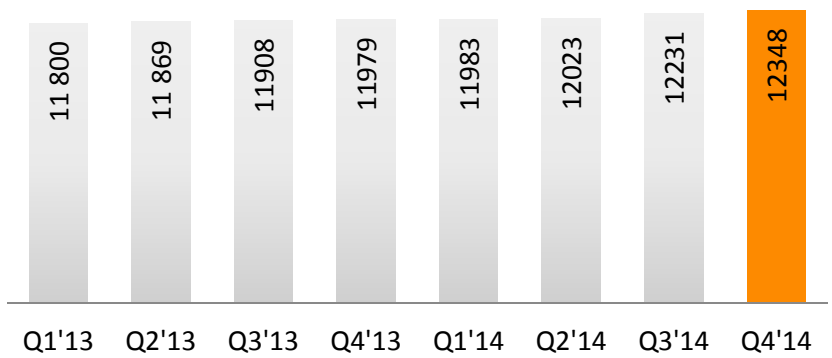
to grow fast based on our competitive advantage



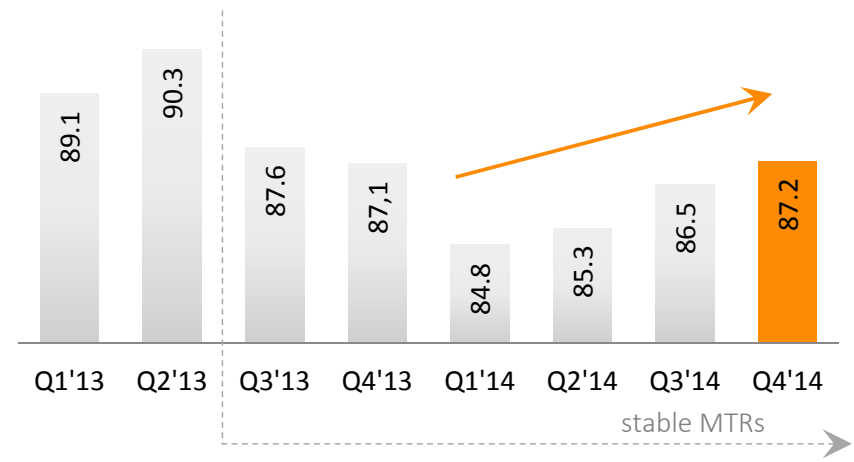
Our strategic goal is the continuous growth of the number of services and ARPU growth



Contract RGUs EOP



Contract ARPU (PLN)

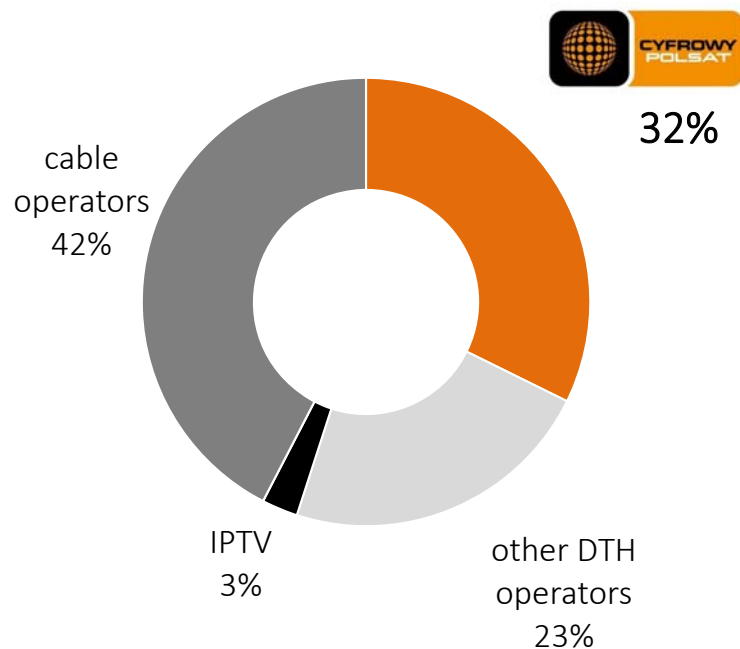


# Result: we keep the leading positions on our key focus markets



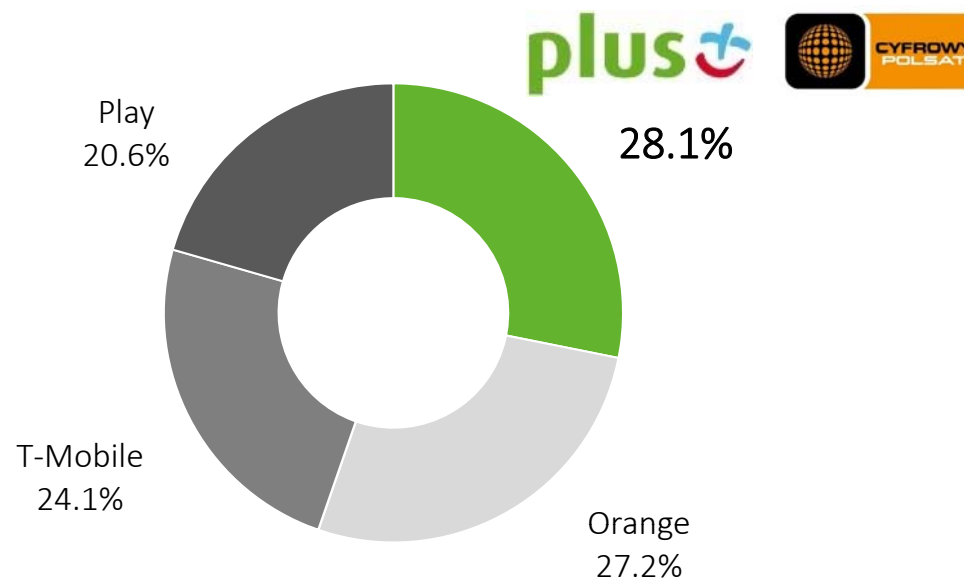
## Pay-TV market

share in paid subscriptions



## Mobile market

share in contracted SIMs



Note: As of end of 2014, own estimates based on data published by other operators.

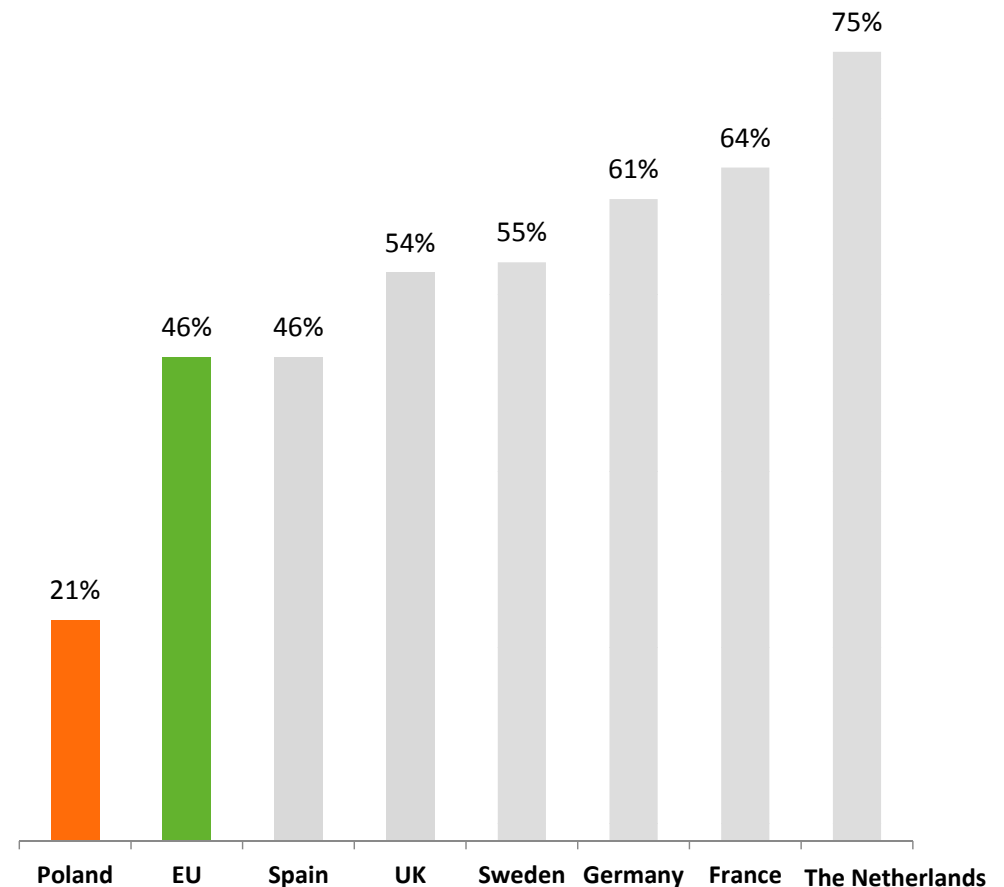


# Market outlook



- Our strategic goal assumes the highest possible saturation of our customer base with integrated services
- A large group of our customers lives in less urbanized areas, where multiplay offers have been practically unavailable so far
- Mutual benefits resulting from the multiplay offer both for the customer and the operator

Multi-play penetration in Europe



Source: European Commission - E-Communications Household Survey, March 2014



# 5. Financial results

A horizontal decorative bar consisting of four colored segments: two orange segments on the left and two green segments on the right.

**Tomasz Szelaąg**

Member of the Management Board, CFO

# Group's financial results in Q4'14



in PLN m	Q4'14	YoY change
Revenue	2,521	215%
Operating costs <sup>(1)</sup>	1,682	221%
EBITDA	837	204%
EBITDA margin	33.2%	(1.2pp)
Net profit	14	(92%)

- Increase in major bottom-line items as a result of consolidation of Metelem group's results effective from 7 May 2014
- Net income influenced by consolidation of Metelem group's interest costs as well as by recognition of the negative impact of PLK Senior Notes' valuation

Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis

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



# Results in the segment of services to individual and business customers in Q4'14



in PLN m	Q4'14	YoY change
Revenue	2,213	347%
Operating costs <sup>(1)</sup>	1,489	340%
EBITDA	723	351%
EBITDA margin	32.7%	0.3 pp
Net profit	(64)	N/A

- Revenue growth of 12%, excluding the effect of consolidation of Metelem, primarily due to higher sales of telecommunication products (mainly mobile Internet) and an increase in revenue from fees for pay-TV services
- Cost dynamics, excluding the impact of consolidation of Metelem, mainly driven by:
  - Additional customer acquisition costs in smartDOM offer
  - Higher cost of data transmission, mainly due to growth of the number of mobile Internet service users

Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis

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



# Results of broadcasting and TV production segment in Q4'14



in PLN m	Q4'14	YoY change
Revenue	352	4%
Operating costs <sup>(1)</sup>	236	8%
EBITDA	114	(4%)
EBITDA margin	32.4%	(2.6 pp)
Net profit	93	(3%)

- Increase in revenue mainly due to new channels' results being included and a higher number of external channels serviced by Polsat Media
- Cost dynamics reflect investments in programming costs of TV4 and TV6 channels and higher amortization of sports rights

Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis

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



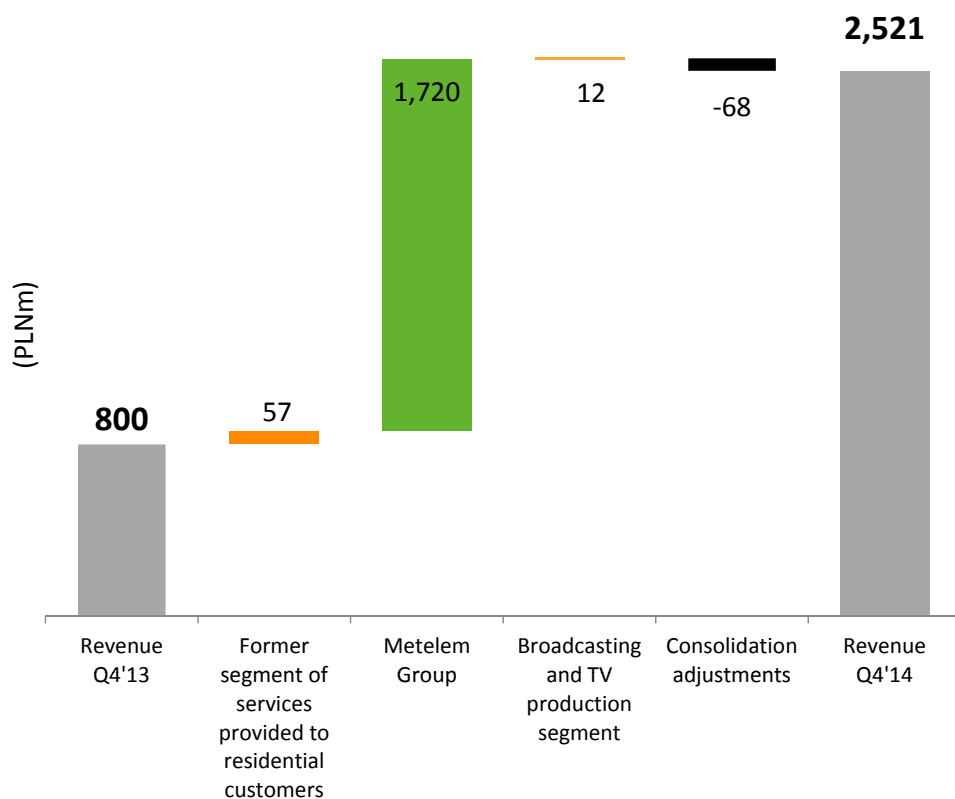


# Revenues and costs – change drivers Q4'14



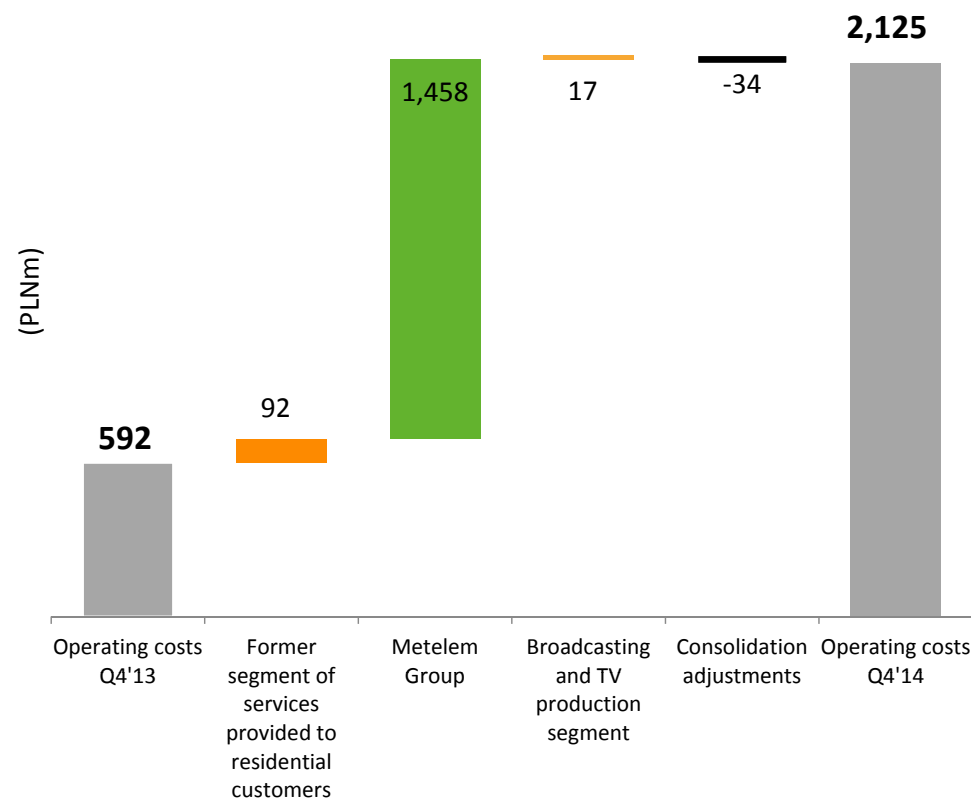
## Revenue

YoY change **+215%**  
**+1.7 bn**



## Operating costs

YoY change **+259%**  
**+1.5 bn**



Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis



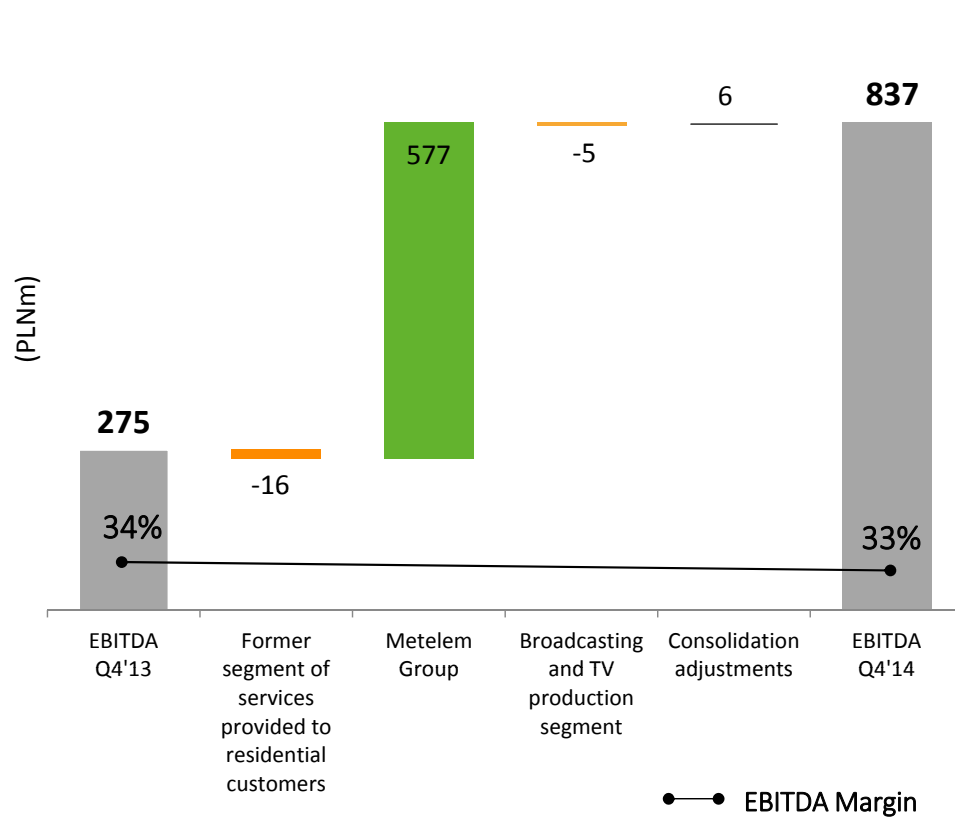
# EBITDA and net profit – change drivers in Q4'14



## EBITDA

YoY change

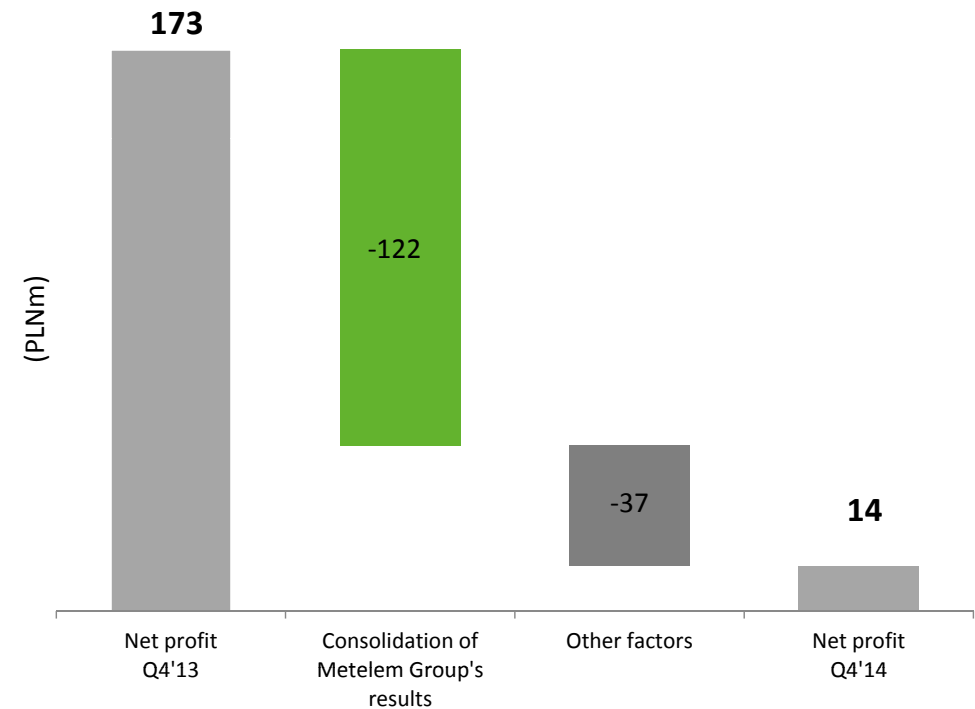
**+204%**  
**+562 m**



## Net profit

YoY change

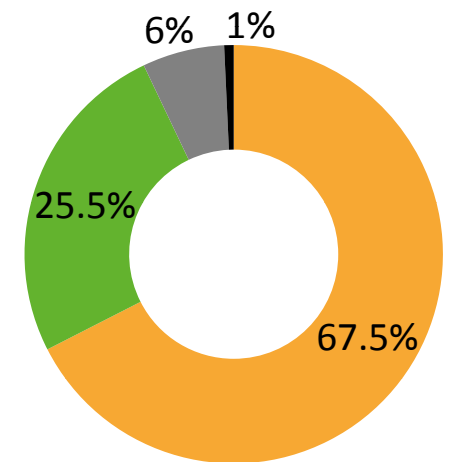
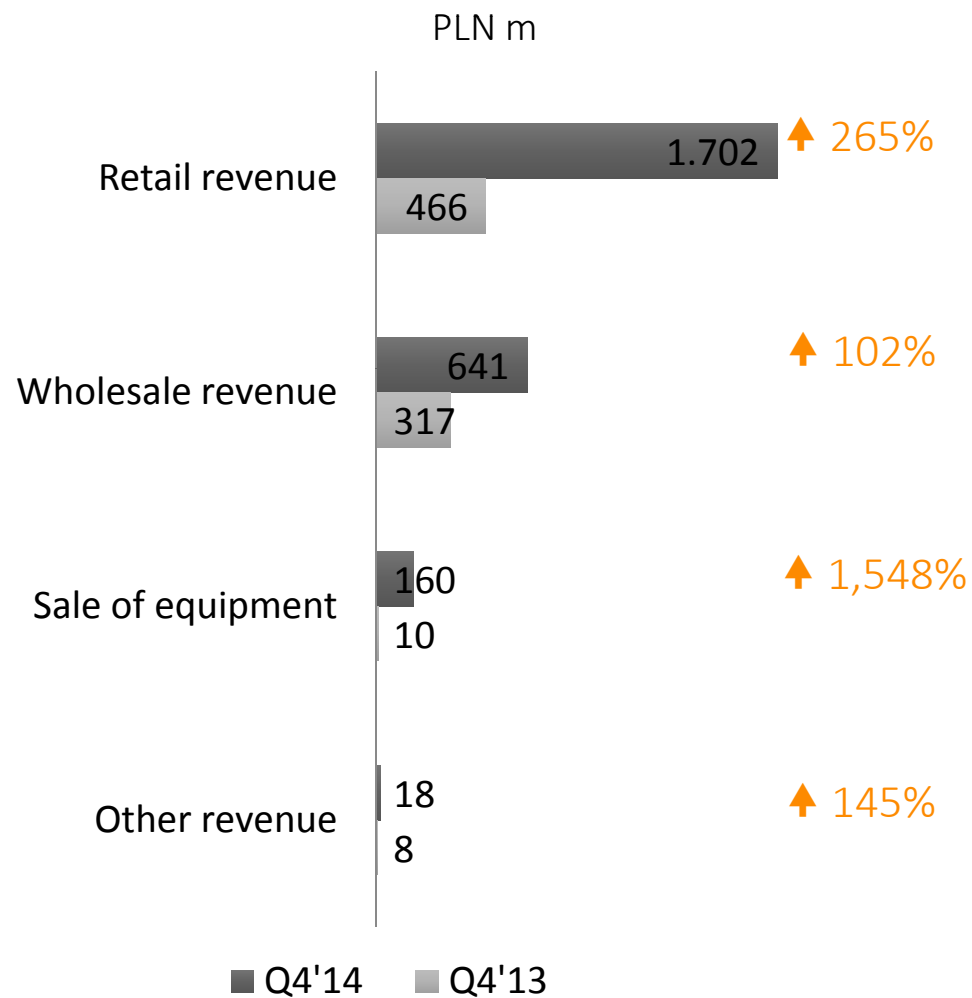
**-92%**  
**-159 m**



Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis



# Revenue structure in Q4'14

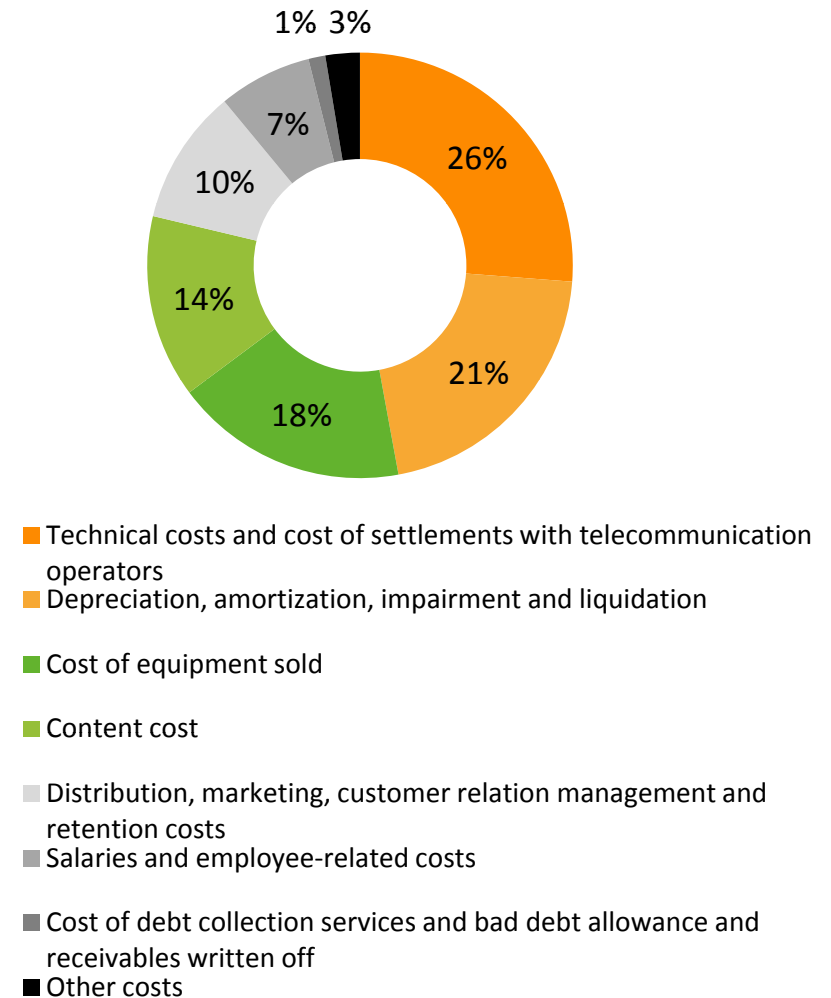
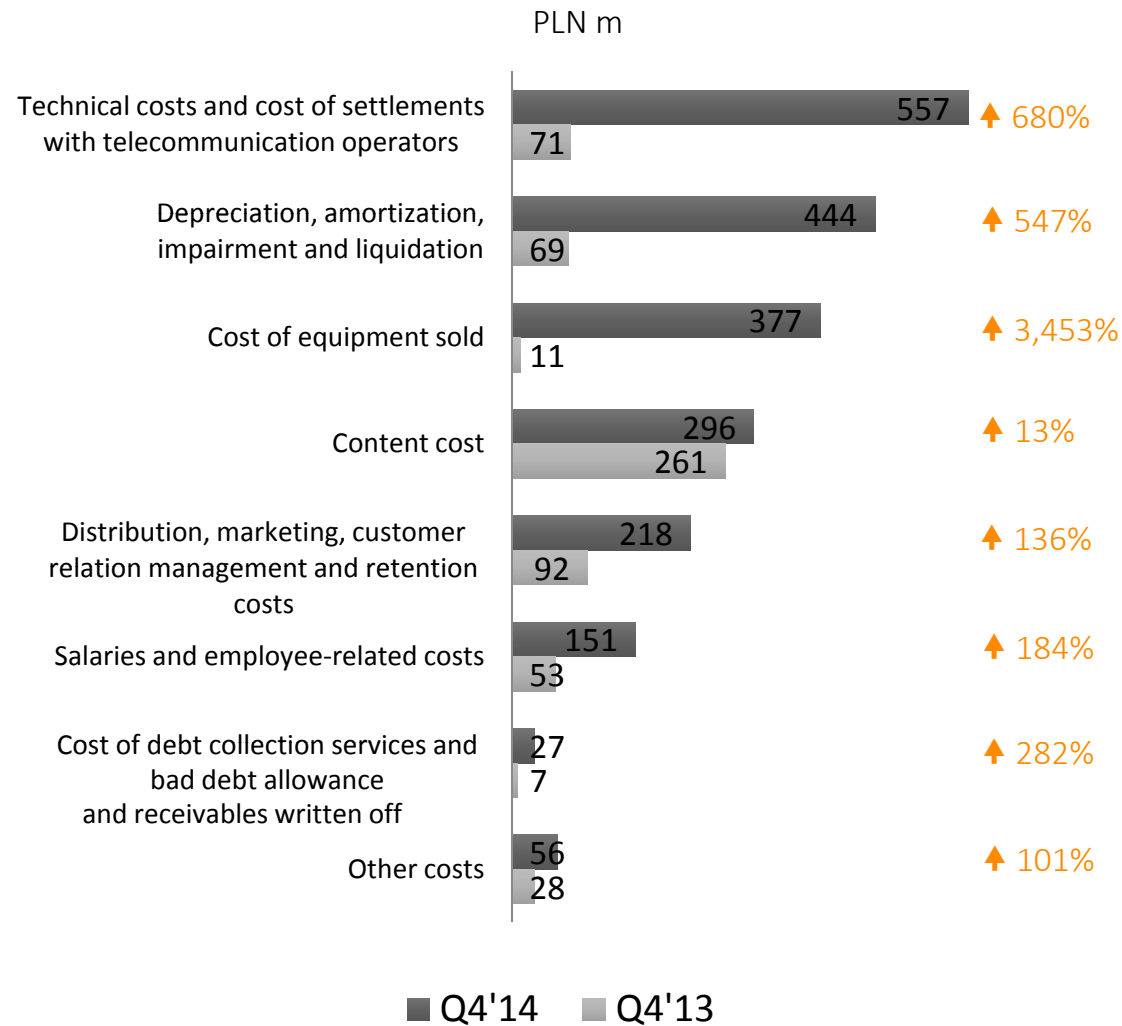


- Retail revenue
- Wholesale revenue
- Sale of equipment
- Other revenue

Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis



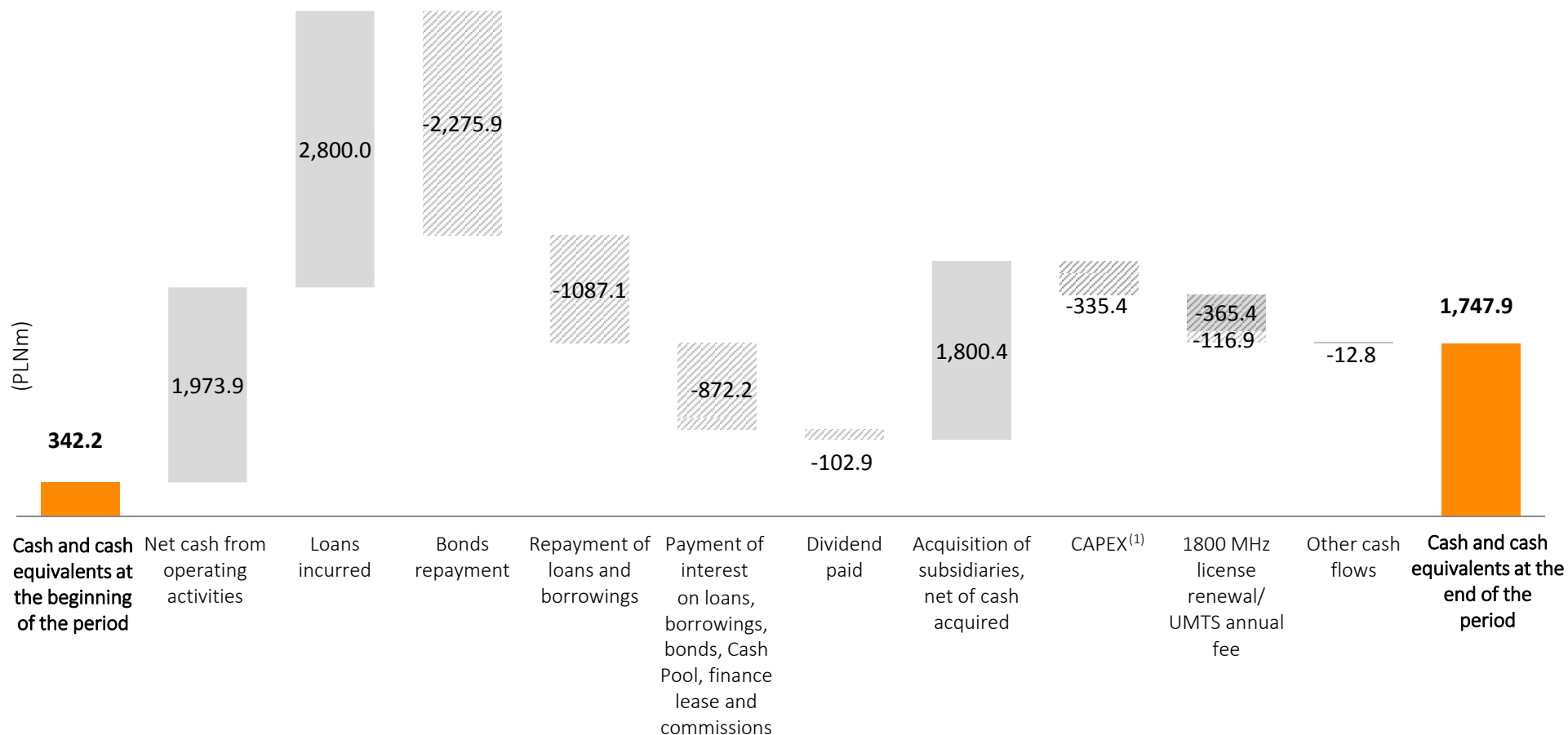
# Operating costs structure in Q4'14



Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis



# Cashflow statement in 2014



Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis

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



# The Group's debt as at 31 December 2014



in PLN m	Carrying amount	Nominal value
Term Loan (PLN)	2,293	2,330
Revolving Loan	100	100
PLK Loan – Tranche A (PLN)	1,937	1,944
PLK Loan – Tranche B (PLN)	3,077	3,096
PLK Loan – Tranche C (PLN)	1,599	1,610
PLK Revolving Loan	0	0
Senior Notes PLK EUR <sup>1</sup>	2,860	2,312
Senior Notes PLK USD <sup>2</sup>	2,155	1,754
Leasing	19	19
Cash and cash equivalents <sup>3</sup>	1,748	1,748
<b>Net debt</b>	<b>12,291</b>	<b>11,417</b>
EBITDA LTM, pro-forma <sup>4</sup>	3,787	3,787
<b>Net debt / EBITDA LTM</b>	<b>3.2x</b>	<b>3.0x</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 31 December 2014 of 4.2623 PLN/EUR. Carrying amount estimated to 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 31 December 2014 of 3.5072 PLN/USD. Carrying amount estimated to fair value at the moment of purchase of Metelem.

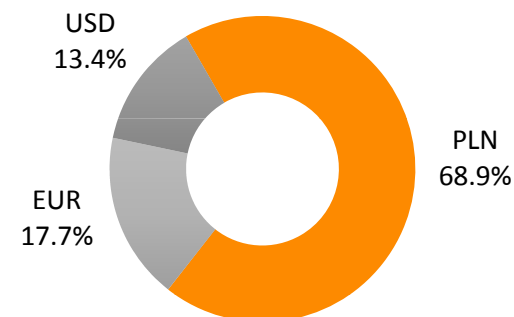
<sup>3</sup> The item contains cash and cash equivalents, including restricted cash and short-term deposits.

<sup>4</sup> EBITDA LTM, pro-forma, includes consolidated pro-forma EBITDA of Cyfrowy Polsat Group on the assumption of consolidation of Metelem Group's results during the period of past 12 full months

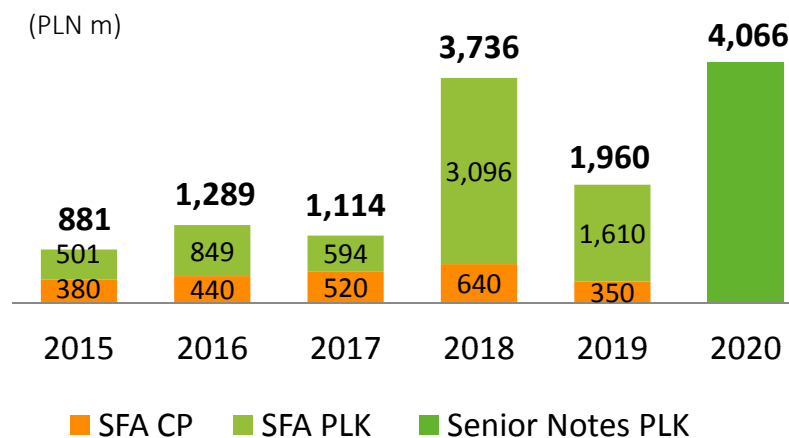
<sup>5</sup> Nominal value of debt, excl. RCF

Source: Consolidated financial statements for the year ended December 31, 2014 and internal analysis

## Currency composition of our indebtedness<sup>5</sup>



## Our debt maturing profile<sup>5</sup>



# The potential impact of debt refinancing of Polsat Group



## Reduction of interest

- Replacing PLK HY Notes with 11.75% coupon (EUR) and 11.625% coupon (USD) with debt with costs at the market level could potentially ensure savings on interest in the range of ca. **PLN 300m** annually
- Margins in the SFA CPS agreement are also substantially lower than in the SFA PLK agreement concluded one year before

## Higher flexibility

- Removing restrictions with respect to the transfer of funds between Eileme 2 Group and the remaining companies of Cyfrowy Polsat Group would allow more effective management of the group's liquidity, allowing for further integration of Cyfrowy Polsat and Polkomtel

## Limitation of the debt's balance sheet valuation

- Valuation of HY PLK Notes in relation to their market value was performed as at the date of acquisition of Metelem Group, which resulted in a carrying amount of these notes to exceed their nominal value by PLN 949m at 31 December 2014
- Refinancing of HY PLK Notes would eliminate this difference, thus resulting in the reduction of the carrying amount of our debt



# 6. Objectives for 2015



**Tomasz Gillner-Gorywoda**  
President of the Management Board, CEO





# Our expectations and goals for 2015



## Segment of services to individual and business customers

- Increase of the total number of sold services (RGU) and saturation of the customer base with integrated services
- Consistent building of ARPU per customer

## Broadcasting and TV production segment

- Continuing the strategy which assumes maintaining of audience shares and increase of revenue from advertising at least in line with growth dynamics of the TV advertising market

## Financial results

- Maintaining strong margins, further optimization of the cost base
- Consistent reduction of the company's indebtedness, supported by a stable level of free cash flows



# 7. Q&A



# Definitions



## 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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