



Financial results

Q4 and the full year 2019

12 March 2020

Cyfrowy Polsat S.A. Capital Group



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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.

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Agenda



1. Key events in 2019
2. Operating results
3. Financial results
4. Summary of 2019 and objectives for 2020



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1. Key events in 2019

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Key events in 2019



Beginning of the implementation of our strategic concept "TV/Internet/Telephone. For everyone. Everywhere. "



JV agreement with Discovery and TVN on launching a joint OTT streaming platform



Strategic alliance with Asseco Poland



Initiating the rollout of the first commercial 5G network in Poland



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2. Operating results

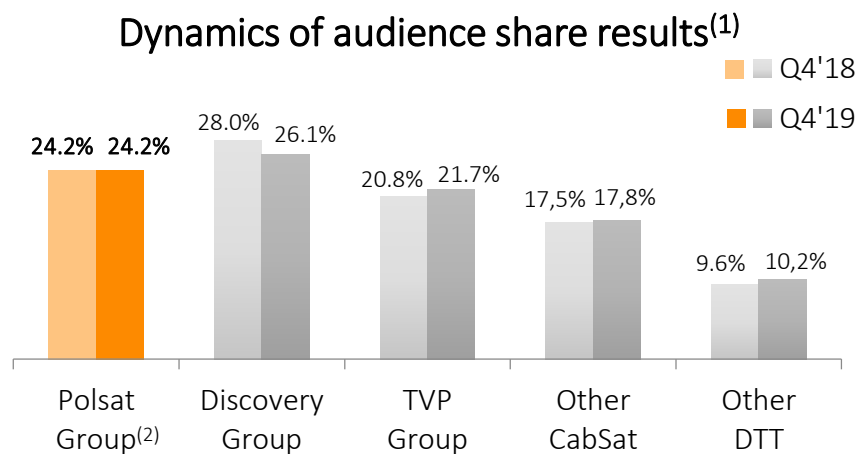
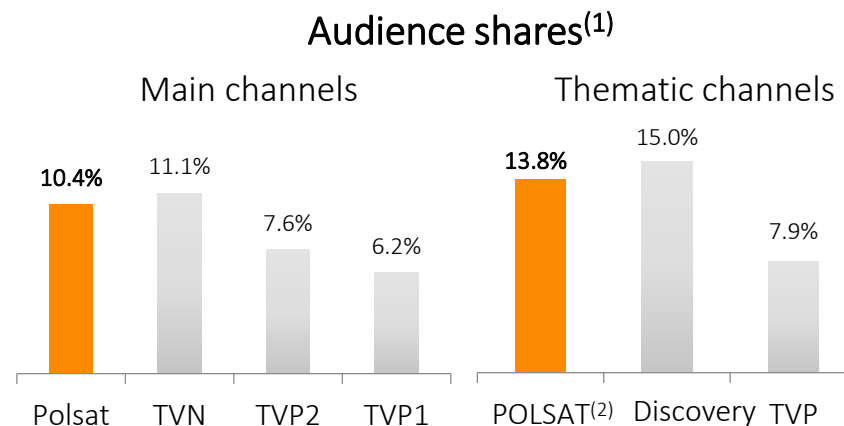
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2.1 Broadcasting and TV production segment



Viewership of our channels in Q4'19

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



Source: NAM, All 16-49, all day, SHR%, including Live+2⁽¹⁾, internal analysis

Note: (1) Audience shares include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing)

(2) Including Eleven channels and Superstacja (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat, Focus TV, Nowa TV



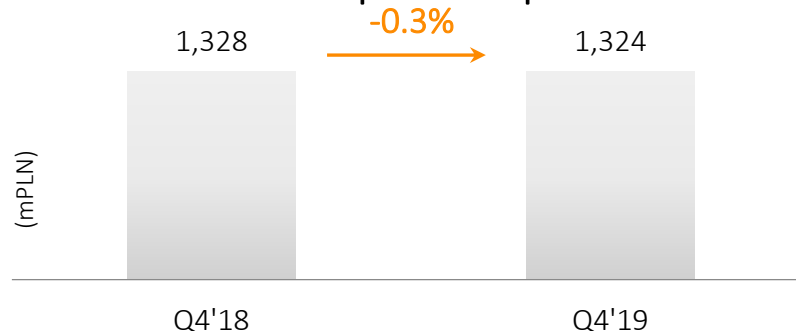
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Position on the advertising market in Q4'19

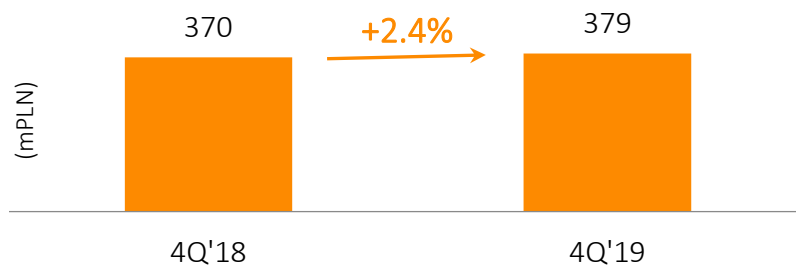


- Revenue from TV advertising and sponsorship increased by 2.4% on a stable market
- As a result, our share in the TV advertising and sponsorship market increased to 28.6%

Market expenditures on TV advertising and sponsorship

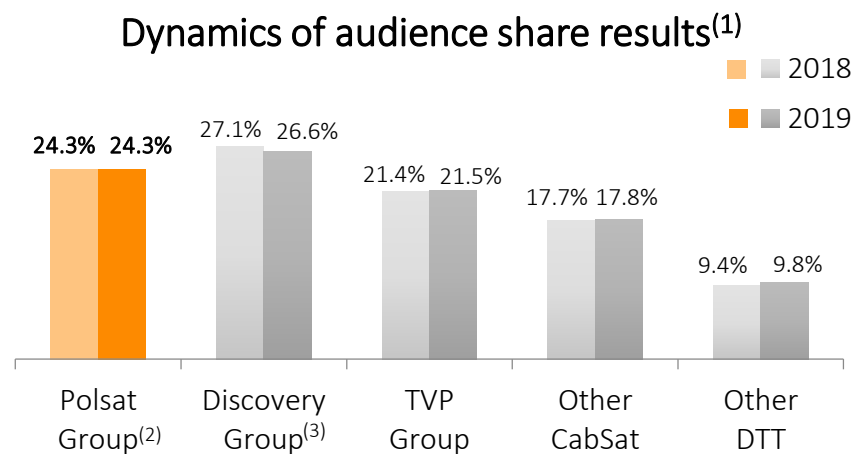
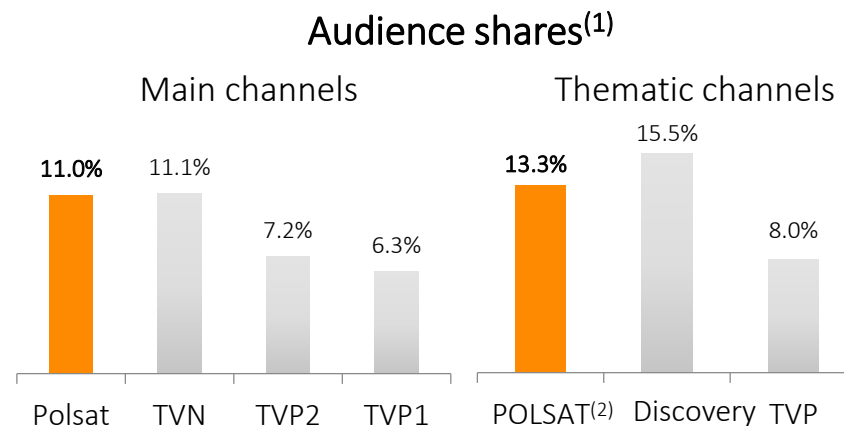


Revenue from advertising and sponsorship of TV Polsat Group⁽¹⁾



Viewership of our channels in 2019

- Polsat Group's viewership in line with its long-term strategy



Source: NAM, All 16-49, all day, SHR%, including Live+2⁽¹⁾, internal analysis

Note: (1) Audience shares include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing)

(2) Including Eleven channels and Superstacja (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat, Focus TV, Nowa TV

(3) Pro forma, TVN Group channels and Discovery Networks Europe

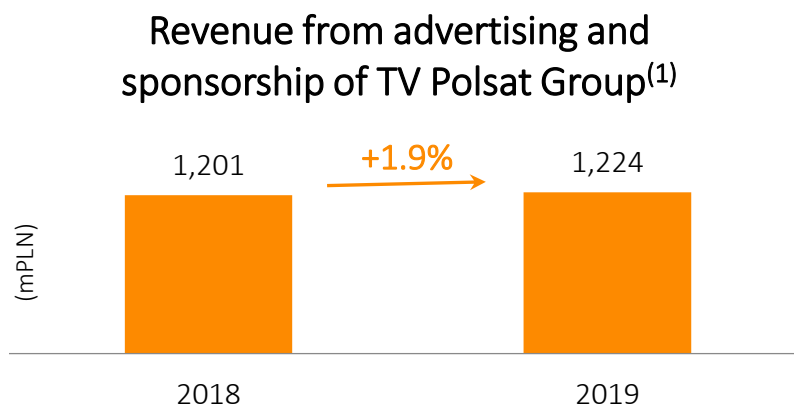
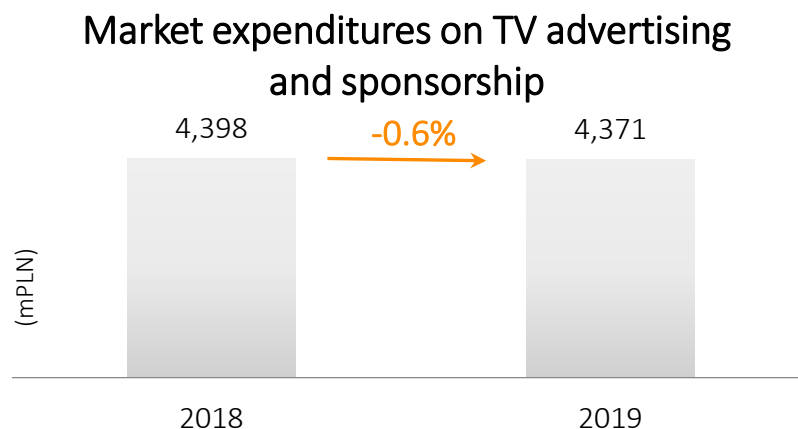


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Position on the advertising market in 2019



- Revenue from TV advertising and sponsorship increased by 1.9% on a stable market
- As a result, our share in the TV advertising and sponsorship market reached 28.0%



Source: Starcom, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition



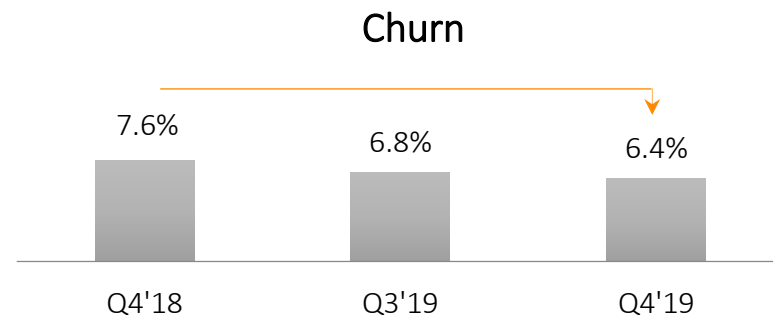
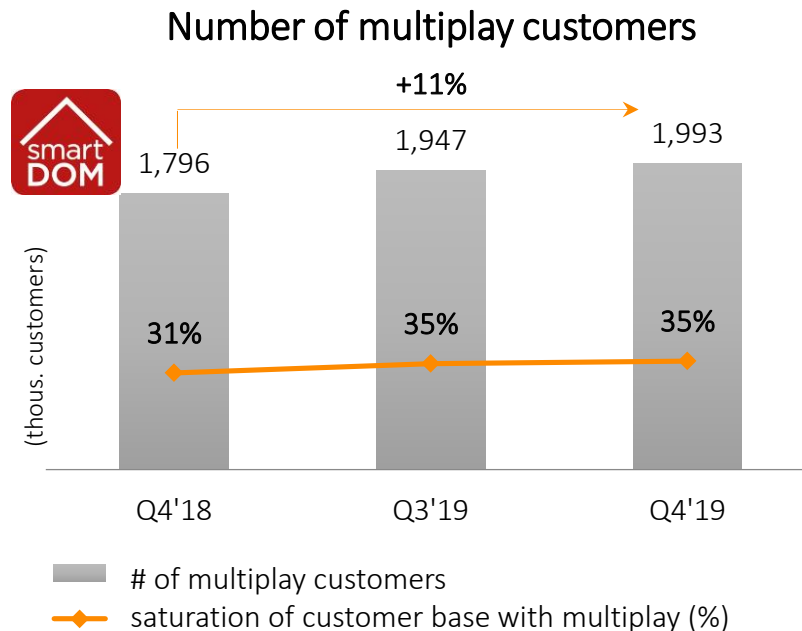
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2.2 Services to individual and business customers

2 millionth customer joined our multiplay offer in January'20



- Consistent implementation of our multiplay strategy results in a stable increase in the number of customers with bundled services by 197K YoY
- The number of RGUs owned by these customers increased to 6.05m
- Another quarter of record low churn level – mainly due to our multiplay strategy

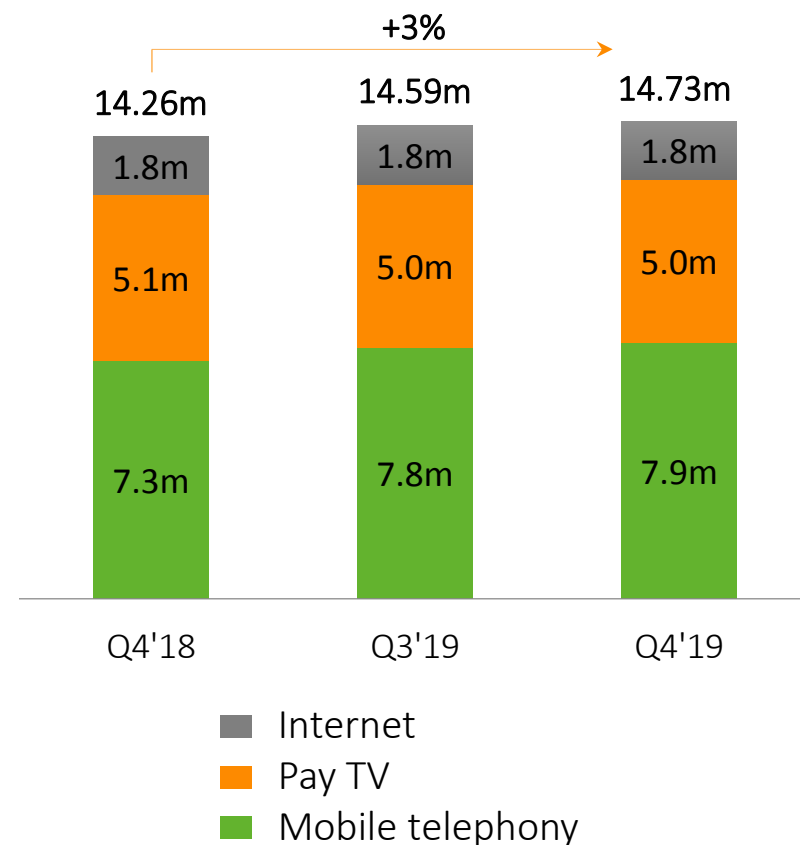


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We sold almost half a million additional services



- An increase in the number of contract services by 469K YoY
- The dynamic growth of voice services as a result of positive impact of our multiplay strategy and the simple Plus tariffs which were launched in February 2018, supported by good sales in the B2B segment (m2m)
- Stable base of pay TV and Internet services

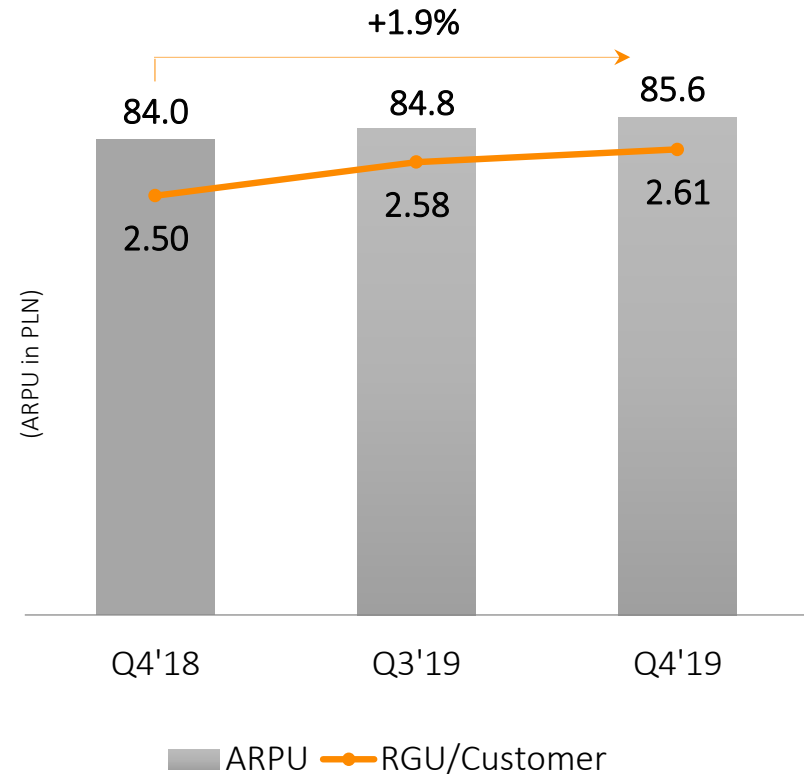


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Growth of ARPU thanks to the consistent implementation of the multiplay strategy



- 1.9% YoY increase in ARPU resulting from consistent building of the value of our existing customer base
- Effective upselling of products under our multiplay strategy continues to be reflected in the growing RGU saturation per customer ratio

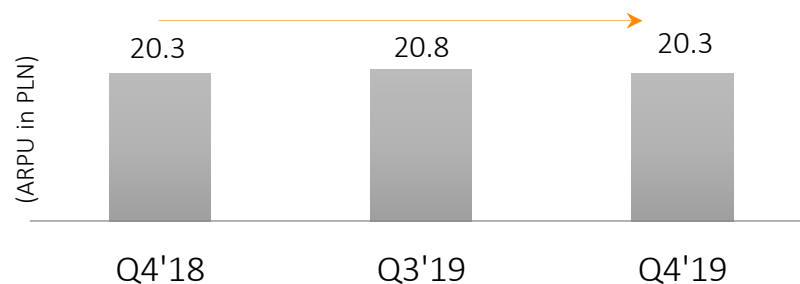
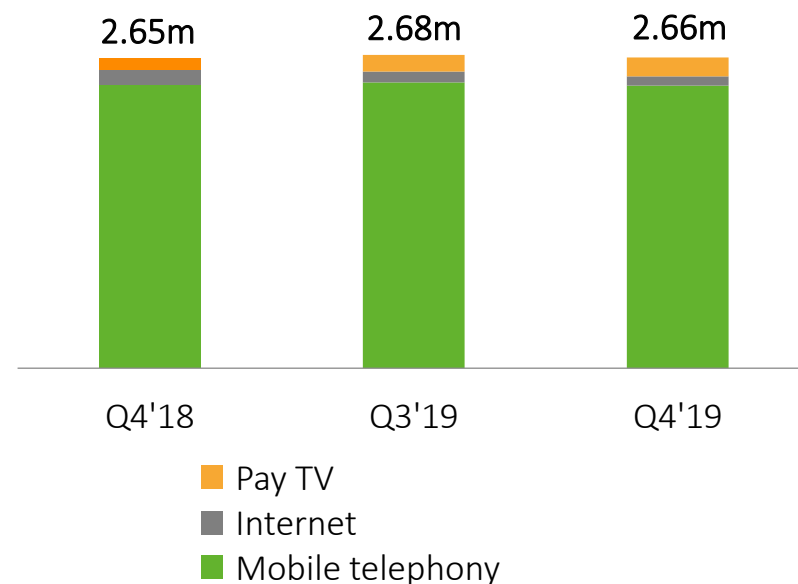


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High ARPU, stable prepaid base



- Stable number of provided prepaid services, mainly thanks to high sales of IPLA packages
- High and stable ARPU level

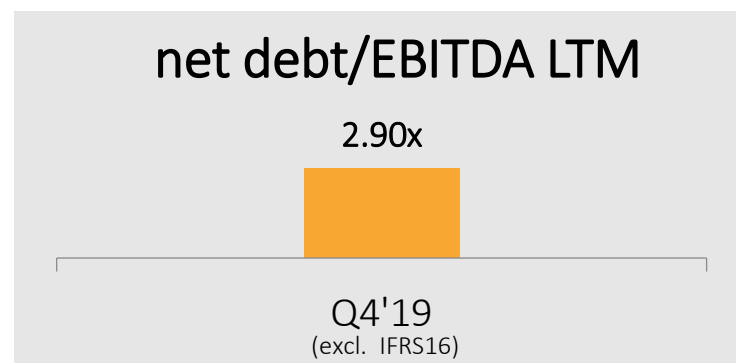
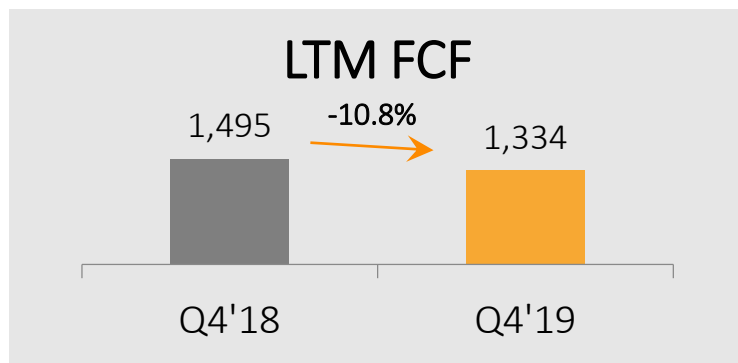
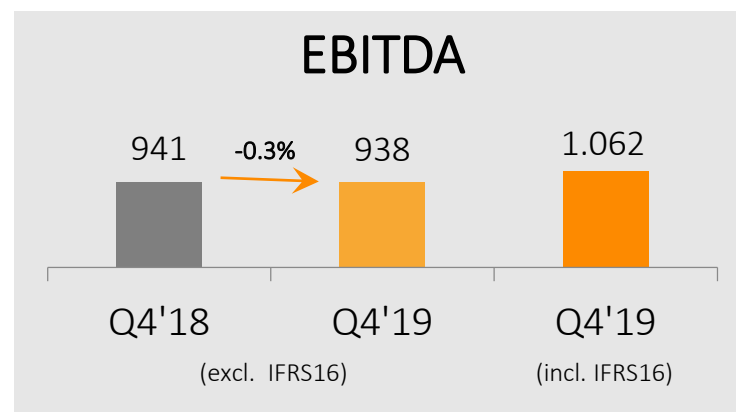
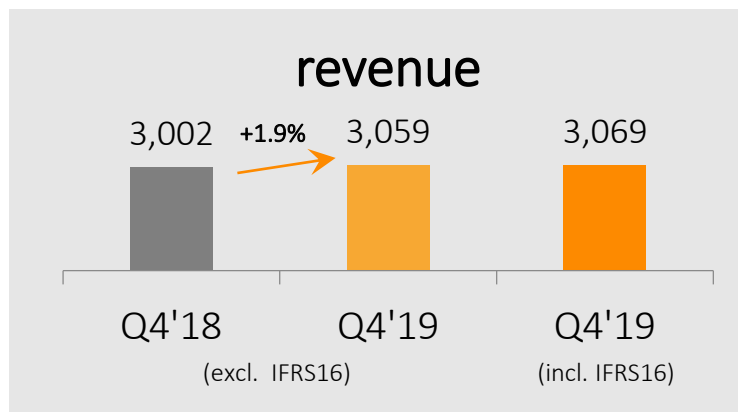


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3. Financial results



Results of the Group in Q4'19

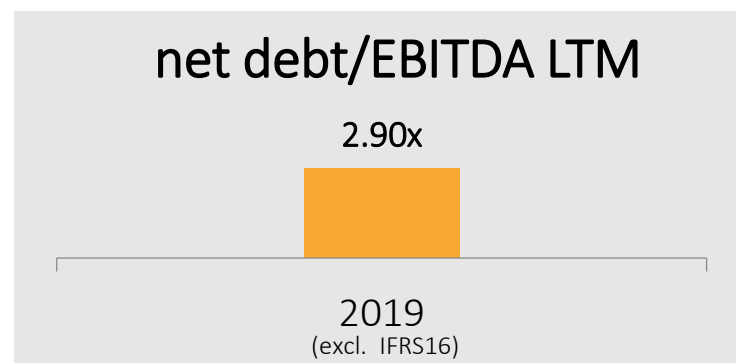
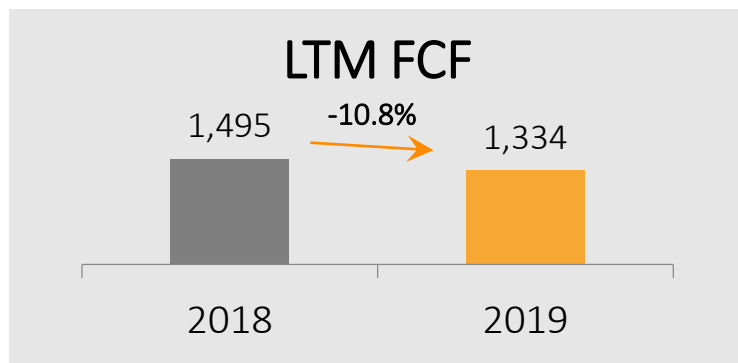
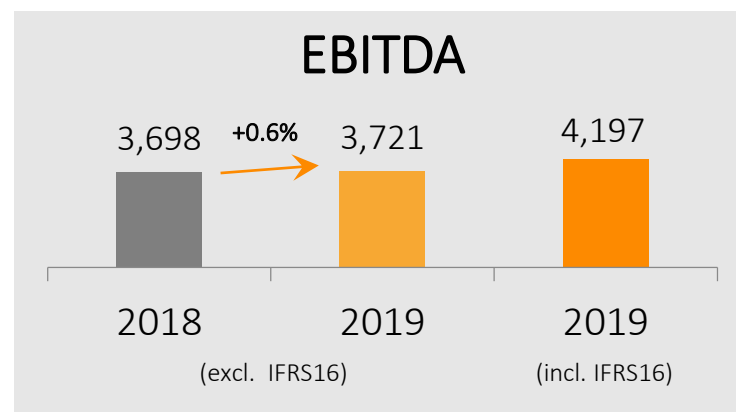
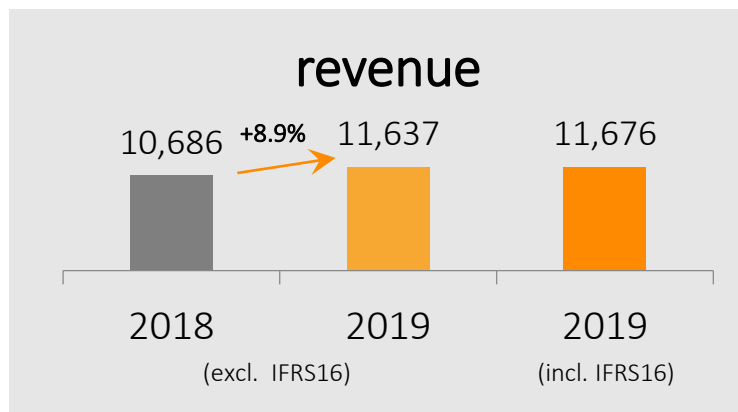


Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis



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Results of the Group in 2019



Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis



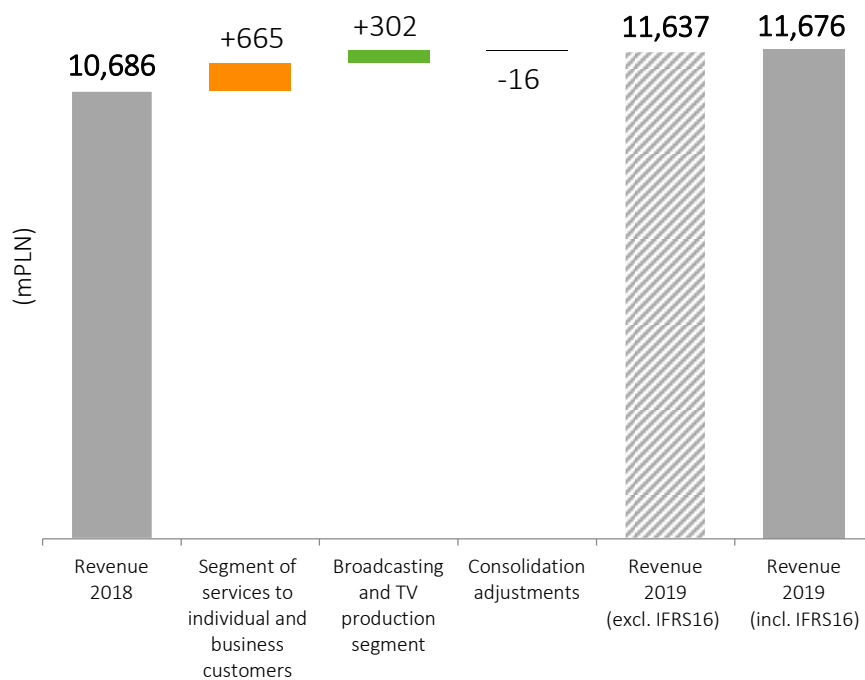
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Revenue and EBITDA – change drivers



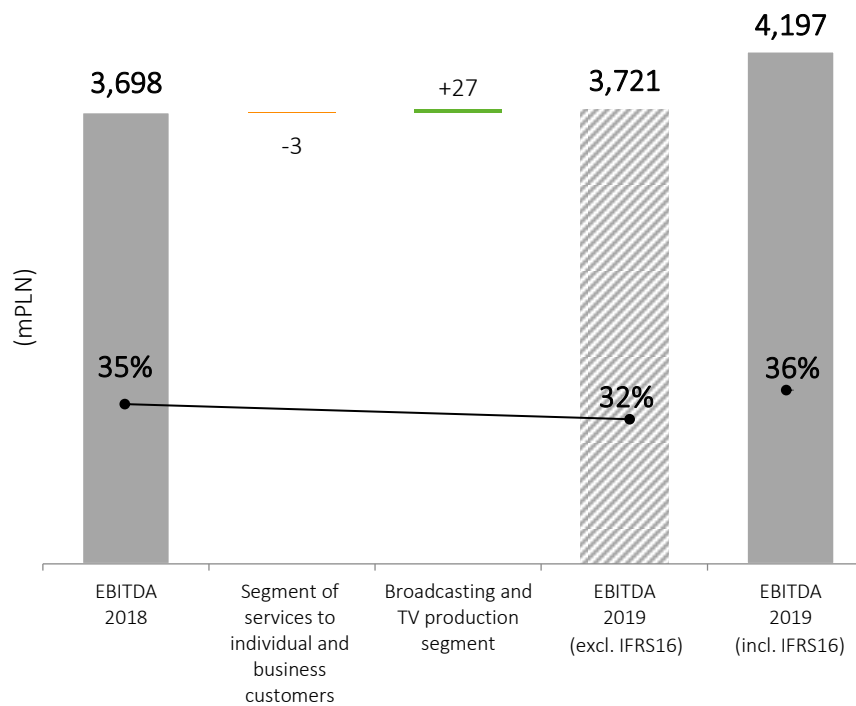
Revenue

YoY change **+9%**
+951m



EBITDA

YoY change **+1%**
+24m



●—● EBITDA margin

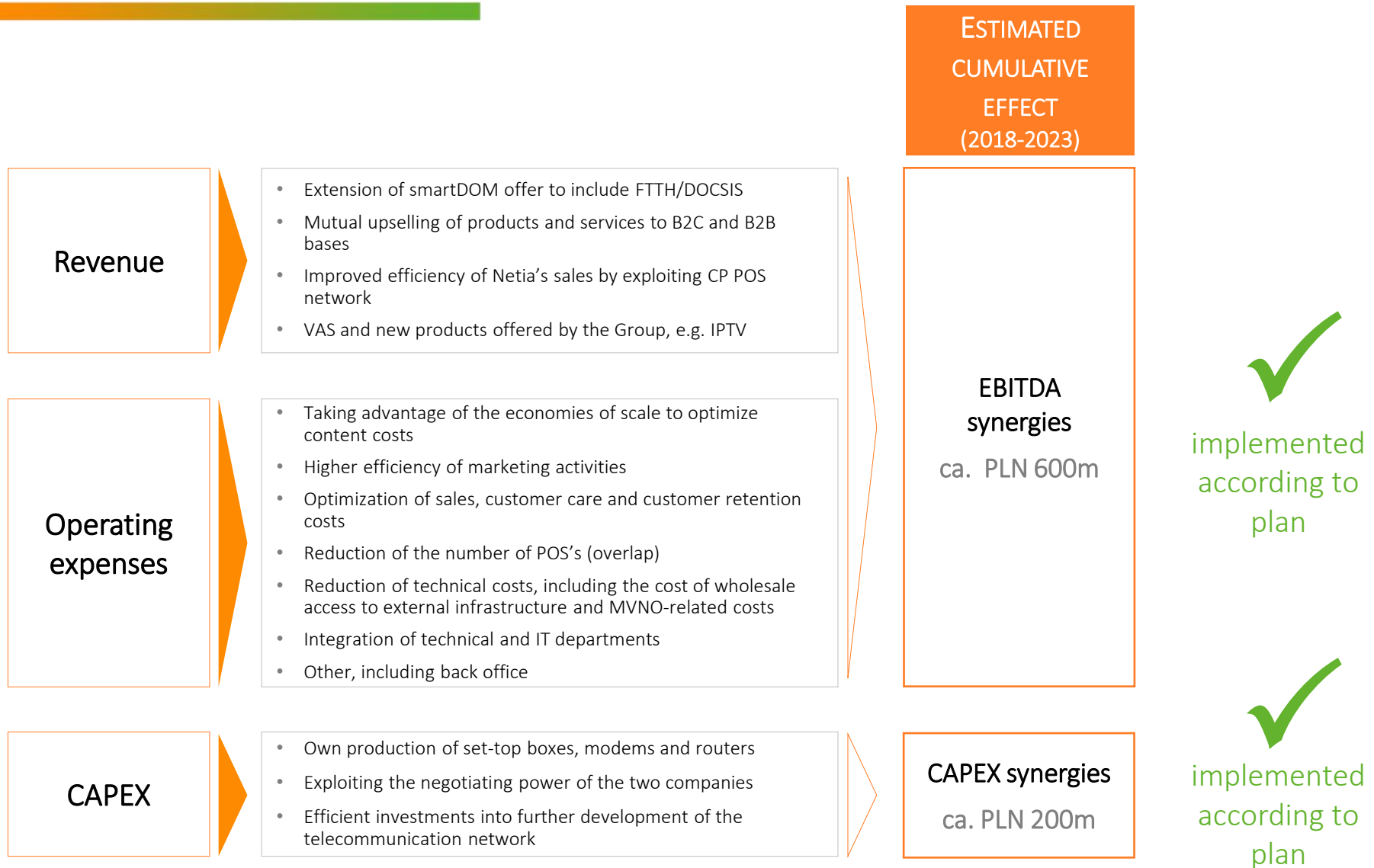
Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis

Note: consolidation of Netia S.A. from 22 May 2018



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Implementation of synergies in cooperation with Netia according to plan

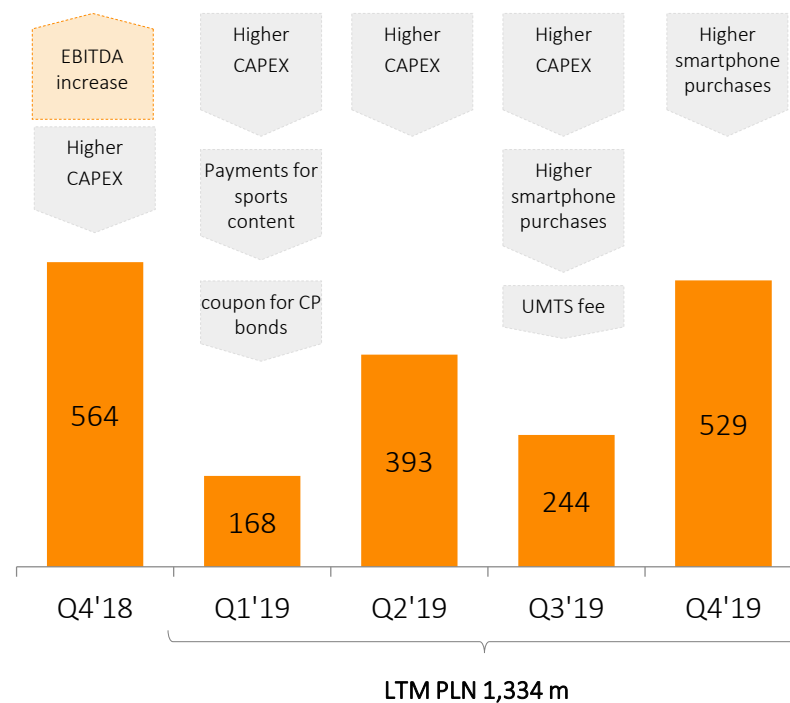


In Q4'19 we generated over half a billion of free cash flow



mPLN	Q4'19	2019
Net cash from operating activities	914	3,087
Net cash used in investing activities	-1,533	-2,715
Payment of interest on loans, borrowings, bonds and commissions	-103	-465
FCF after interest	-722	-93
Acquisition of stakes/shares and share capital increase	1,251	1,357
Flat-rate tax on the interest and discount (RB 24/2019)		70
Adjusted FCF after interest	529	1,334

Skorygowany FCF po odsetkach

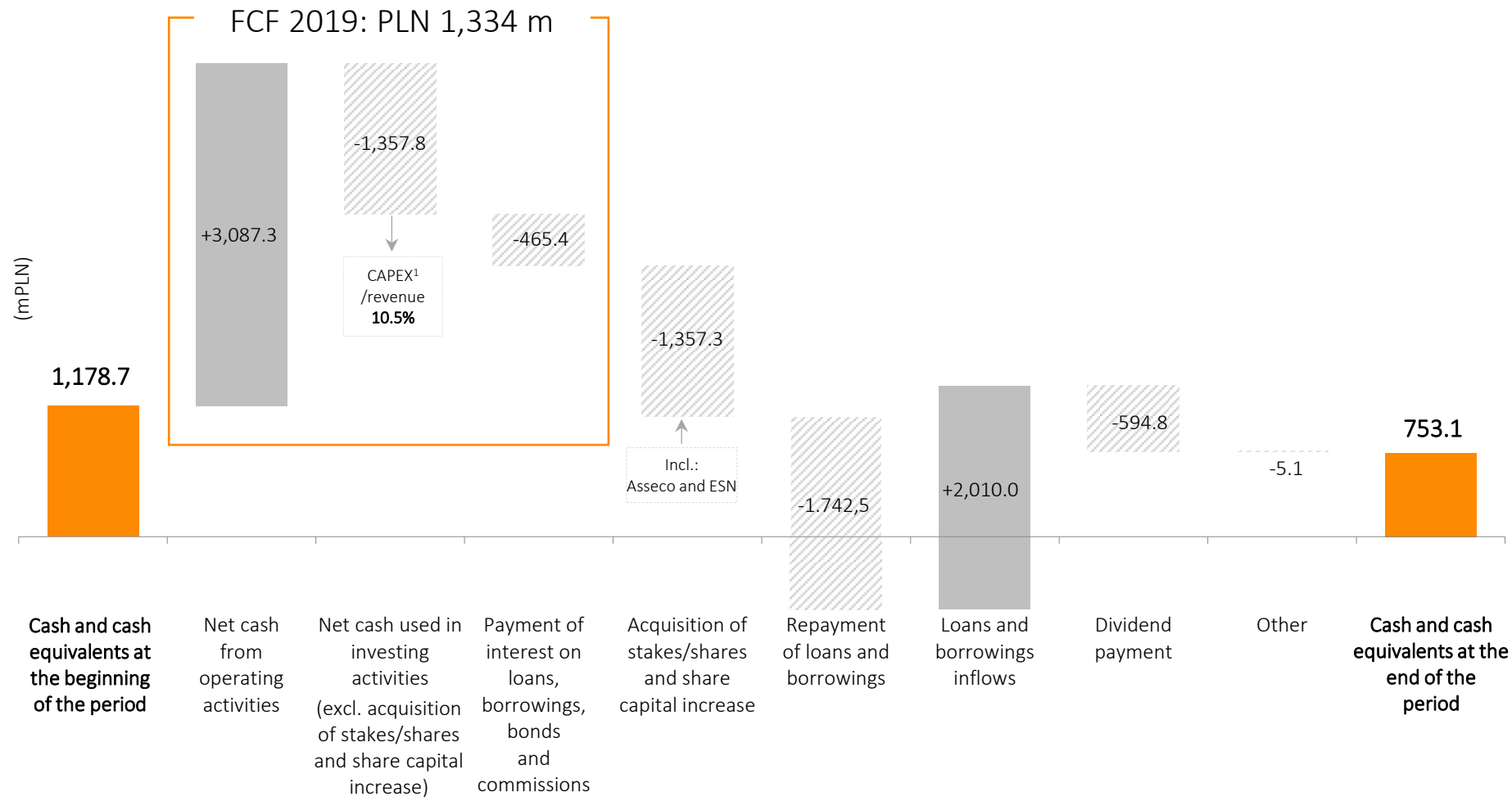


Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis; FCF excl. IFRS16



NETIA

Cash flow statement in 2019



Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis; FCF excl. IFRS16

Note: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

The Group's debt

	Carrying amount as at 31 Dec.'19 excl. IFRS16, in accordance with the requirements of the Combined SFA	Carrying amount as at 31 Dec.'19 incl. IFRS16
mPLN		
Combined SFA (Tranche A and B)	9,604	9,604
Revolving Credit Facility (RCF)	900	900
Series B Bonds	1,004	1,004
Leasing and other	28	1,443
Gross debt	11,536	12,951
Cash and cash equivalents ¹	(753)	(753)
Net debt	10,783	12,198
EBITDA LTM	3,721 ²	4,197
Total net debt / EBITDA LTM	2.90x	2.91x
Weighted average interest cost ³	3.3%	3.3%

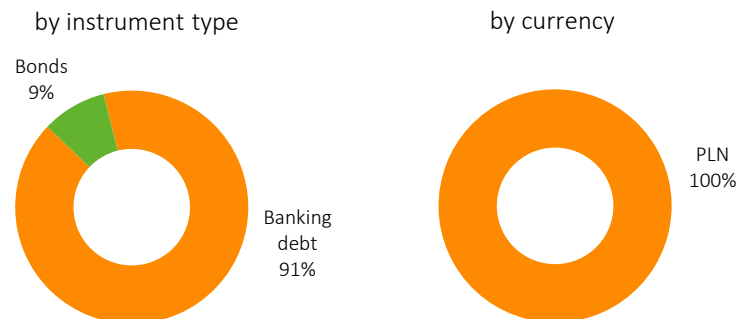
¹ This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.

² accordance with the requirements of the Combined SFA, the calculation excludes the impact from the implementation of IFRS 16 binding from January 1, 2019. The exclusion concerns both the calculation of EBITDA LTM and the calculation of debt.

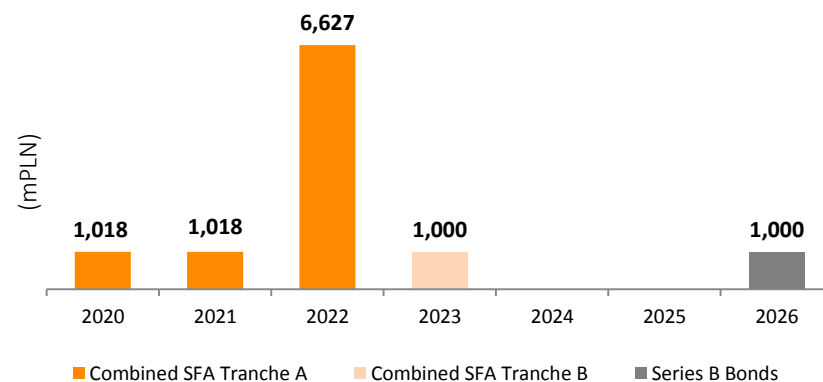
³ Prospective average weighted interest cost of the Combined SFA (including the Revolving Credit Facility) and the Series B Bonds, excluding hedging instruments, as at December 31, 2019 assuming WIBOR 1M of 1.63% and WIBOR 6M of 1.79%.

⁴ Nominal value of the indebtedness as at 31 December 2019 (excluding the Revolving Facility Loan and leasing).

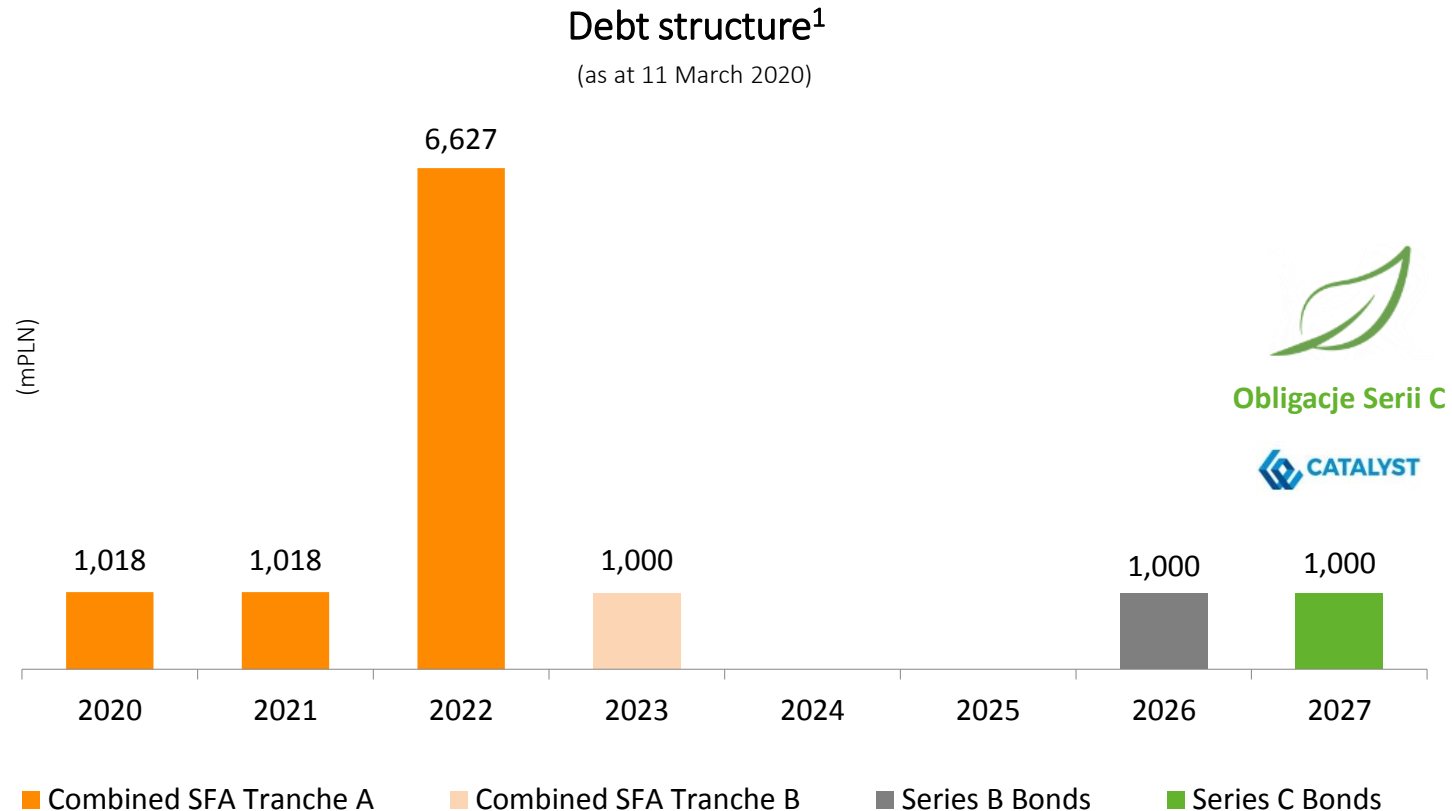
Debt structure⁴



Debt maturing profile⁴



We issued the first corporate green bonds in PLN in February 2020



Note: (1) Nominal value of the indebtedness as at 11 March 2020 (excluding the Revolving Facility Loan and leasing).



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4. Summary of 2019 and objectives for 2020



Objectives for 2019 have been achieved



- Continuation of multiplay strategy based on the concept "TV/ Internet/Phone. For everyone. Everywhere."



- Investments aimed at keeping our TV channels attractive so as to maintain strong market position



- Execution of synergies as part of operational cooperation with Netia



- Maintaining high margins and a high level of generated cash to reconcile continued deleveraging with attractive remuneration for shareholders



- Investment into the business development of Polsat Group through capital engagement in Asseco Poland



Our expectations and goals for 2020



Goals for 2020

1

Continuation of the development of the smartDOM strategy and multiplay strategy based on the concept „For everyone. Everywhere.“



2

Continuation of investments in attractive content



3

Continuation of strategic and synergy-generating cooperation with Netia



4

Implementation of comprehensive and strategic IT solutions with Asseco



5

Rollout of the first commercial 5G network based on owned frequencies



6

Maintaining high margins and a high level of generated cash which enable the payout of attractive dividends for shareholders



5. Additional information:

Financial results excl. IFRS16

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Results of the segment of services to individual and business customers

Excluding IFRS16



mPLN	Q4'19	YoY change	2019	YoY change
Revenue	2,543	2%	9,896	7%
Operating costs ⁽¹⁾	1,806	4%	6,793	11%
EBITDA	748	-3%	3,142	0%
EBITDA margin	29.4%	-1.3pp	31.7%	-2.4pp

Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis

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



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Results of the broadcasting and TV production segment

Excluding IFRS16



mPLN	Q4'19	YoY change	2019	YoY change
Revenue	582	4%	1,998	18%
Operating costs ⁽¹⁾	400	4%	1,425	25%
EBITDA	191	11%	580	5%
EBITDA margin	32.7%	1.8pp	29.0%	-3.6pp

Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis

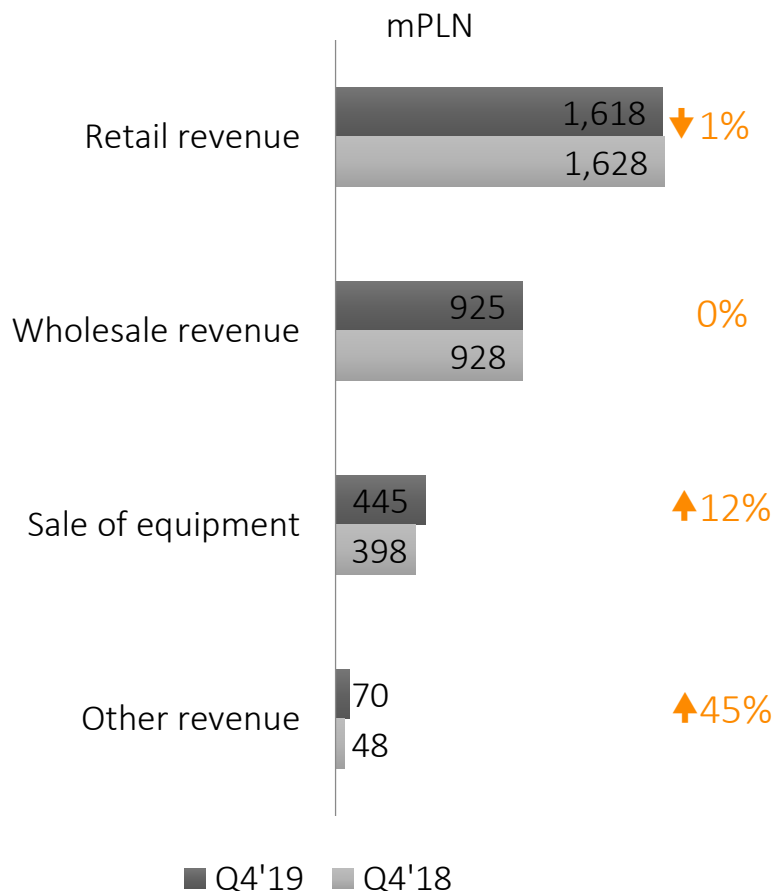
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation



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Revenue structure

Excluding IFRS16



- Almost stable level of **retail revenues**. Lower revenue from voice services, which included revenue from fixed-line telephony services provided by Netia, was almost fully compensated for by higher revenue from pay TV and data transmission services.
- Higher revenue from **sale of equipment**, mainly due to a higher share of more expensive models among end-user devices sold, which was also reflected in the higher cost of equipment sold, while sales volumes of end-user devices decreased year-on-year.
- The increase in **other revenue** was due to, among others, higher revenue from interest on installment plan sales of equipment to residential customers, as well as a higher margin on sales of electricity.

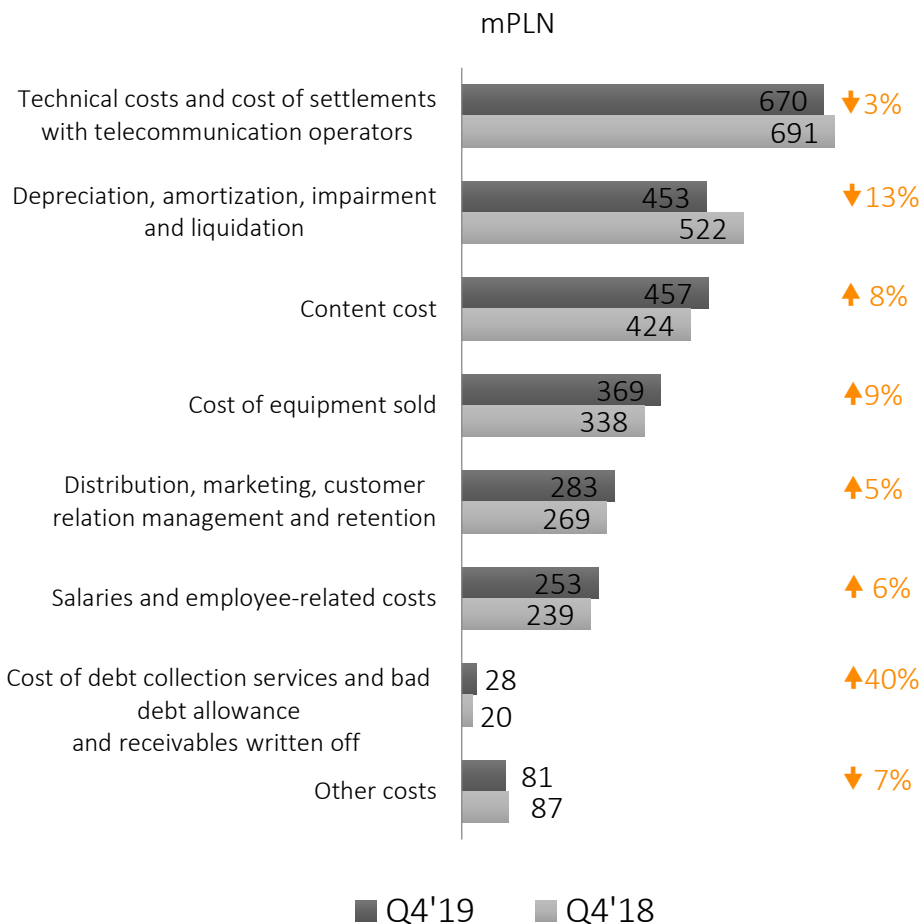
Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis



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Operating costs structure

Excluding IFRS16



- Lower **technical costs and cost of settlements with telecommunication operators** mainly from lower costs of telecommunication infrastructure maintenance, including in particular due to the release of part of the provisions related to electric energy costs. In parallel, we recorded higher costs of purchasing traffic in interconnection and international roaming resulting from higher volumes of outgoing traffic.
- Lower **depreciation, amortization, impairment and liquidation costs** due to, among others, the termination of the amortization period related to the 800 MHz bandwidth license and the extension of depreciation periods of certain elements of the mobile network.
- The increase in **content costs** was mostly the result of higher cost of internal production associated with the enriched scheduling of our channels and higher costs of programming licenses, due to, among others, the decision to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games. Higher cost of amortization of film licenses was an additional factor contributing to the increase of content costs.
- Higher **cost of equipment sold** as a consequence of a higher share of more expensive models among end-user devices sold while sales volumes of end-user devices decreased year-on-year.
- Higher **distribution, marketing, customer relation management and retention** costs were due to higher cost of sales commissions.

Source: Consolidated financial statements for the year ended December 31, 2019 and internal analysis



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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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