Financial results Q2 2019

29 August 2019

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 in Q2'19
2. Operating results
3. Financial results
4. Summary and Q&A

1. Key events in Q2'19

Key events in Q2’19

OTT Internet TV with access via a set-top box – no monthly access fee, using the Internet from any provider!
For everyone. Everywhere.

PKO Ekstraklasa Polish football premiership available via Canal+ Sport 3 and 4 in Cyfrowy Polsat!

Moody’s upgraded Cyfrowy Polsat Group’s rating to Ba1

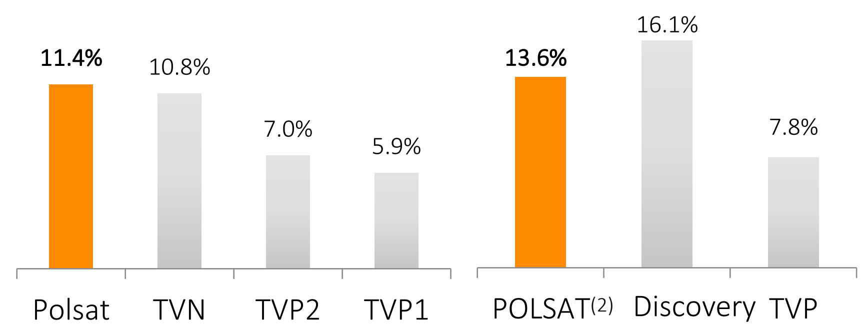
2. Operating results

2.1 Broadcasting and TV production segment

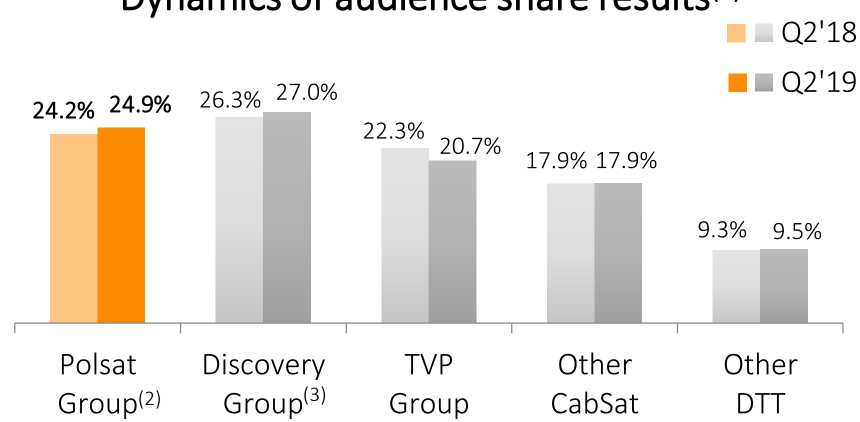
Viewership of our channels in Q2'19

- Polsat's main channel is the viewership leader in the commercial group

Audience shares[1]



Dynamics of audience share results[1]



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)

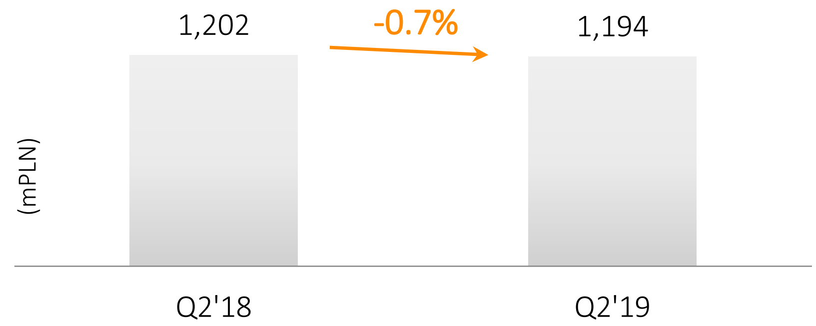
(2) Including Eleven channels and Superstacja (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

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

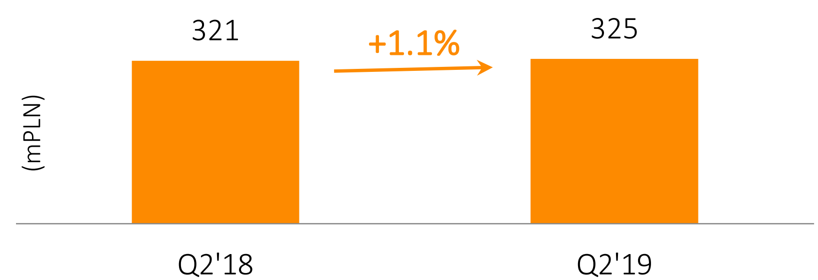
Position on the advertising market in Q2'19

- Revenue from TV advertising and sponsorship generated by Polsat Group, despite the market dropping by 0.7% YoY, grew by 1.1% YoY
- As a result, our share in the TV advertising and sponsorship market increased to 27.2%

Market expenditures on TV advertising and sponsorship



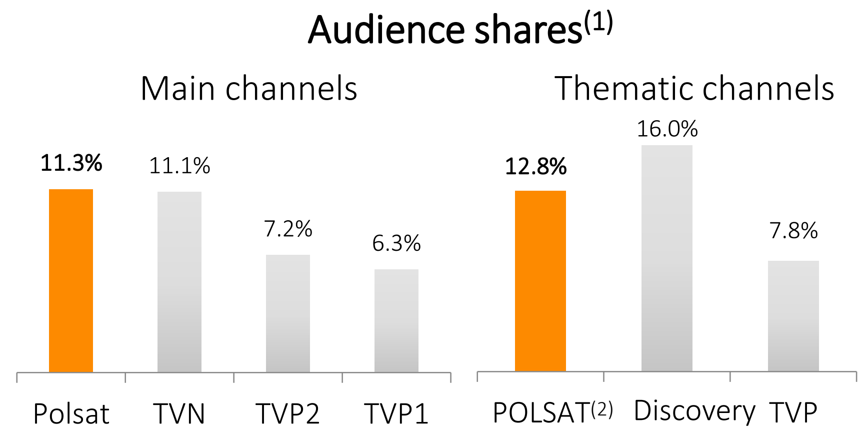
Revenue from advertising and sponsorship of TV Polsat Group(1)

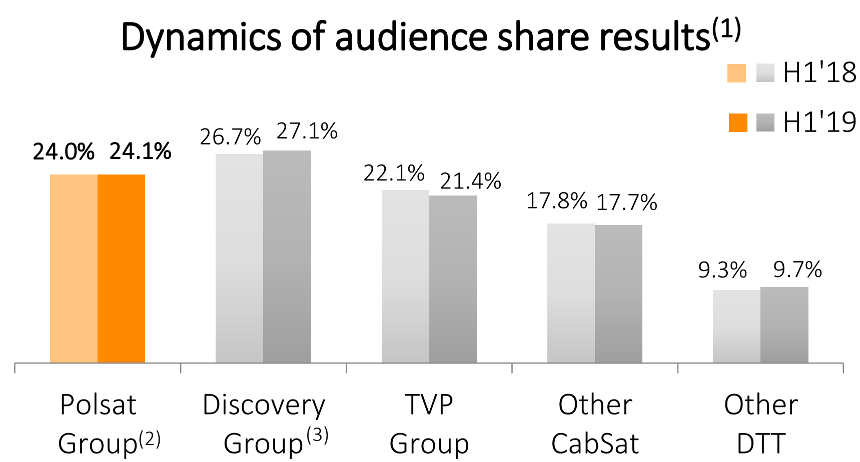


Source: Starcom, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

Viewership of our channels in H1’19

- Polsat Group’s viewership in line with its 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)

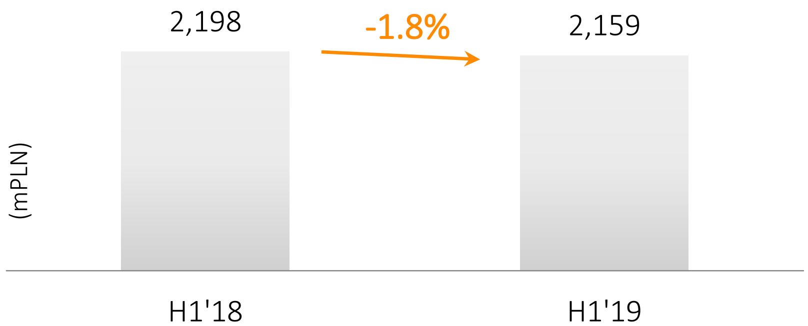
(2) Including Eleven and Superstacja channels (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

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

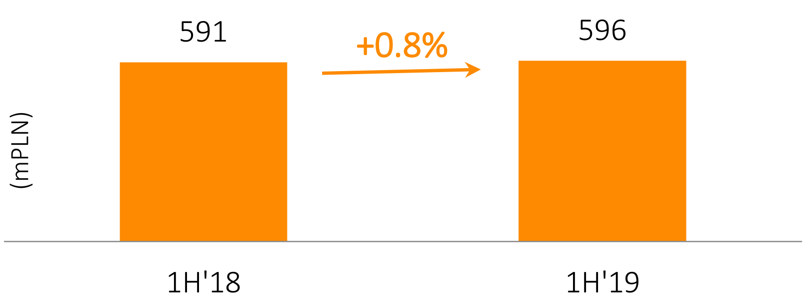
Position on the advertising market in H1'19

- Against the background of the market falling by 1.8% YoY (high base effect), revenue from TV advertising and sponsorship generated by Polsat Group grew by 0.8% YoY
- As a result, our share in the TV advertising and sponsorship market increased to 27.6%

Market expenditures on TV advertising and sponsorship



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



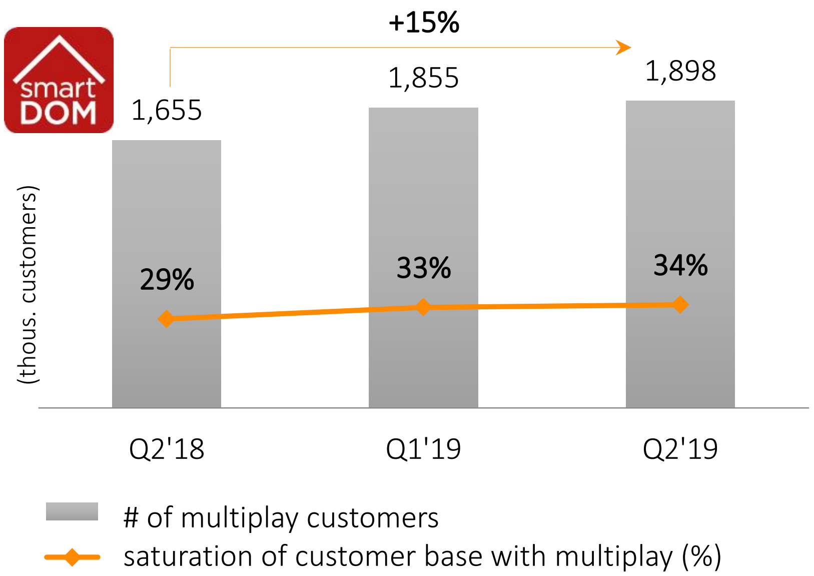
Source: Starcom, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

2.2 Services to individual and business customers

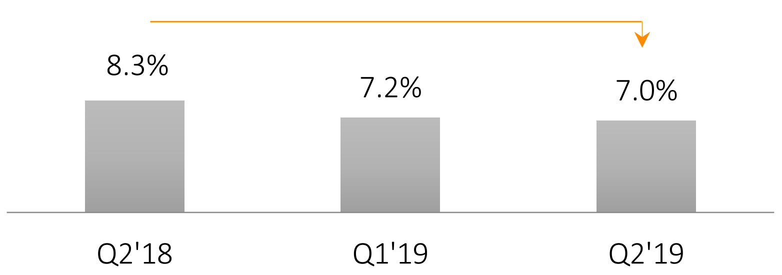
Every third customer uses multiplay offers, which translates into a low churn rate

- Consistent implementation of our multiplay strategy results in a stable increase in the number of bundled services customers by 243K YoY
- The number of RGUs owned by these customers increased to 5.71m
- A record low churn level – mainly due to our multiplay strategy

Number of multiplay customers

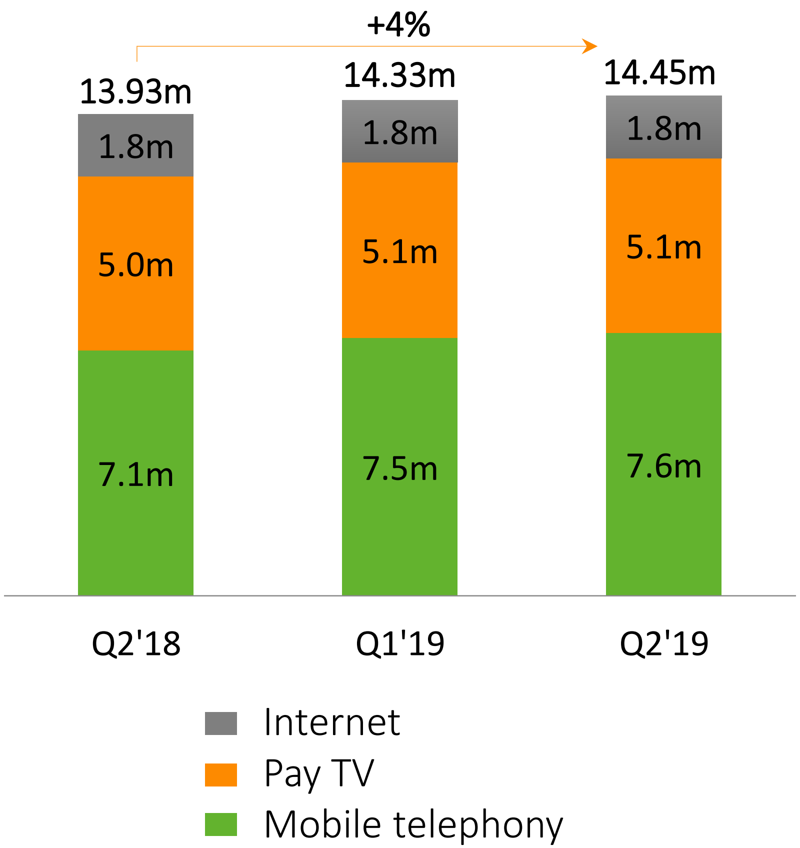


Churn



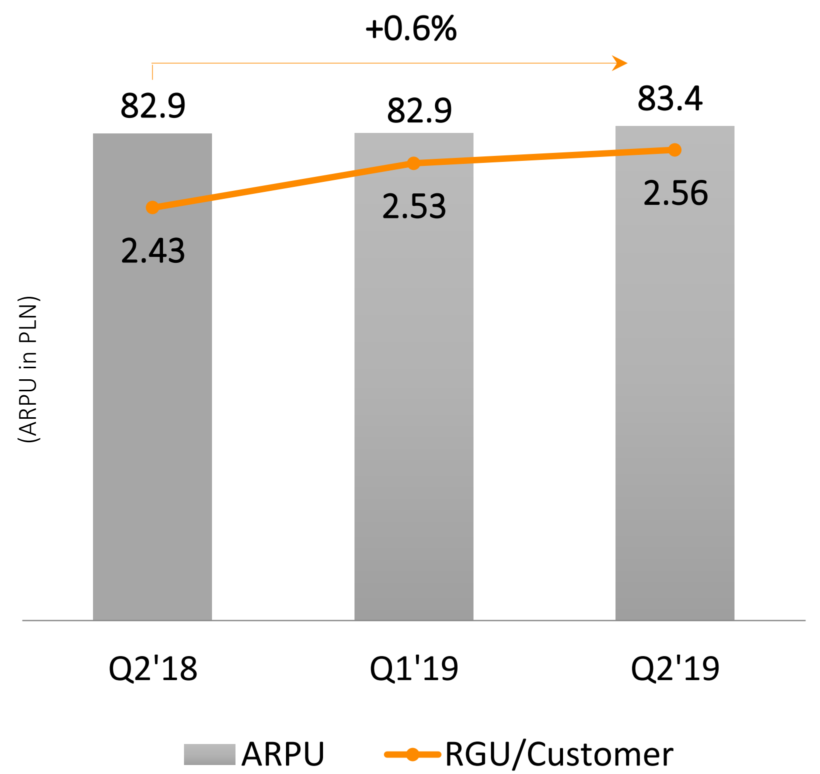
We sold over half a million of additional services

- An increase in the number of contract services by 522K YoY
- 499K additional voice services RGUs YoY as a result of positive impact of our multiplay strategy and the new simple Plus tariffs which were launched in February 2018, supported by good sales in the B2B segment (m2m)
- Pay TV RGUs increased by 31K YoY (multiroom and paid OTT effect)
- Stable base of Internet services



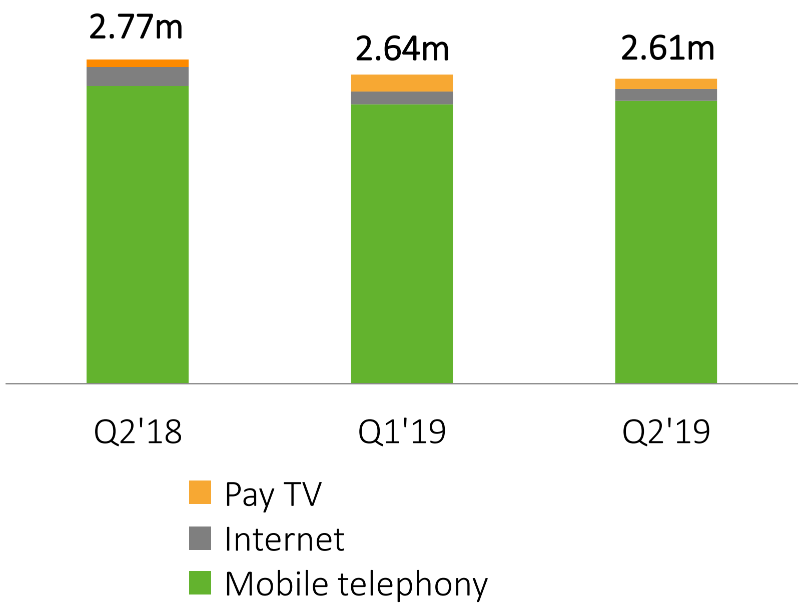
Growth of ARPU thanks to the consistent implementation of the multiplay strategy

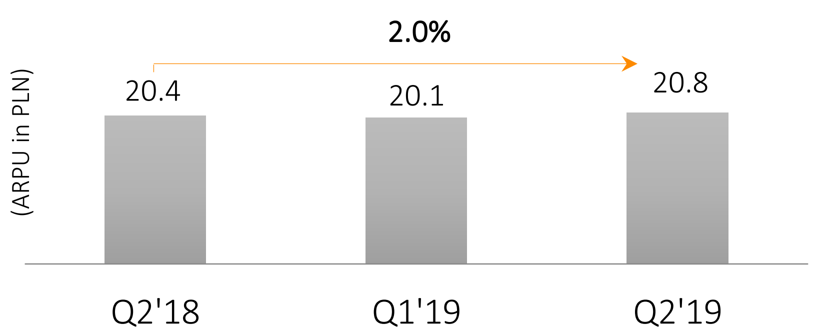
- ARPU increase by 0.6% YoY
- Effective upselling of products under our multiplay strategy continues to be reflected in the growing RGU saturation per customer ratio



High ARPU, stabilization of the prepaid base

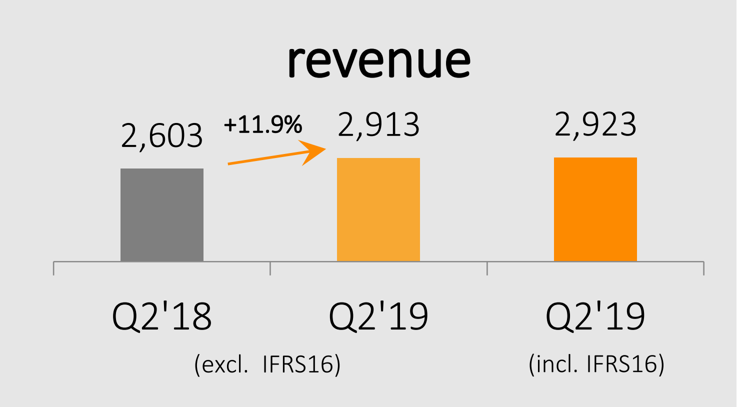
- Stable base of prepaid services with high and growing ARPU level

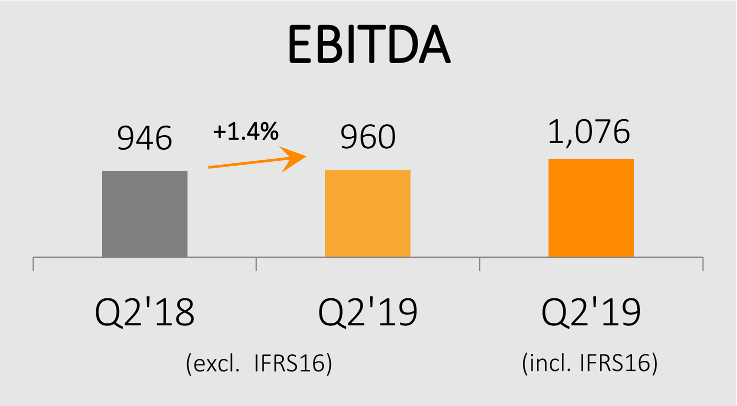


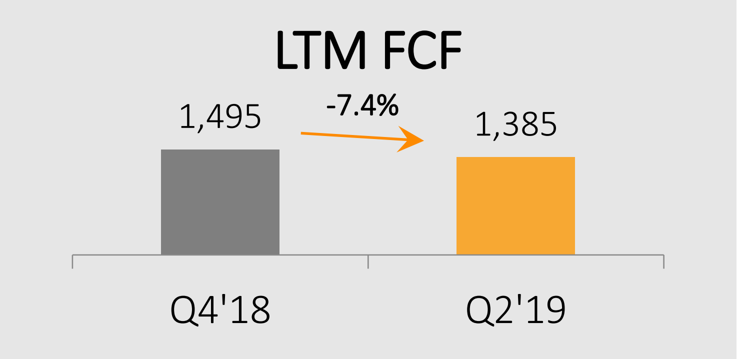


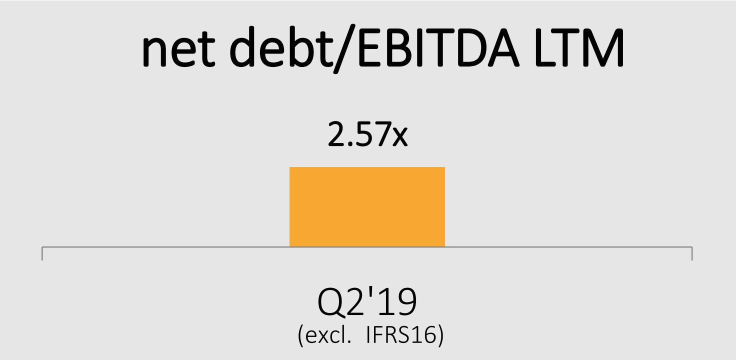
3. Financial results

Results of the Group in Q2’19







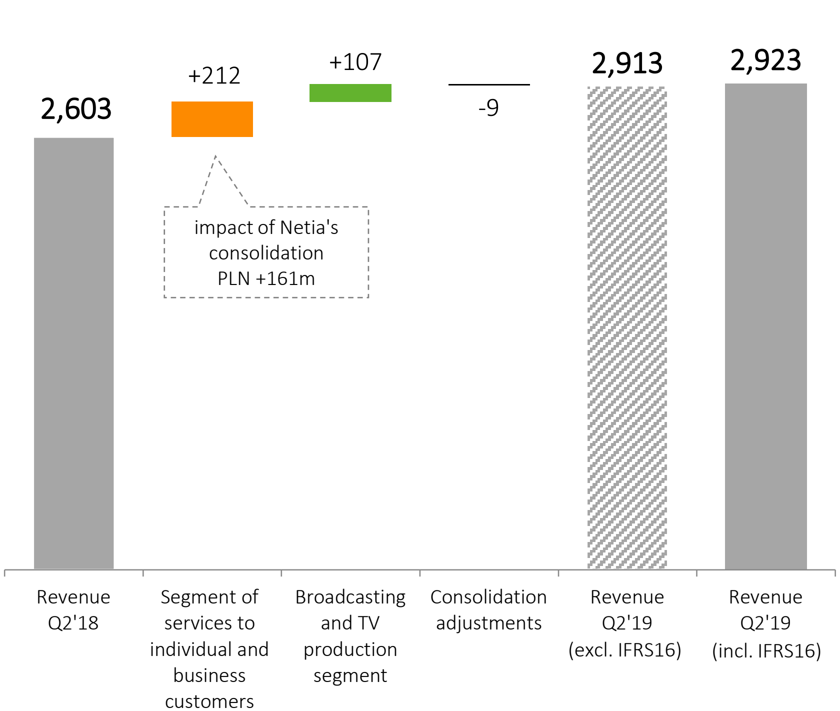


Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses

Revenue and EBITDA – change drivers

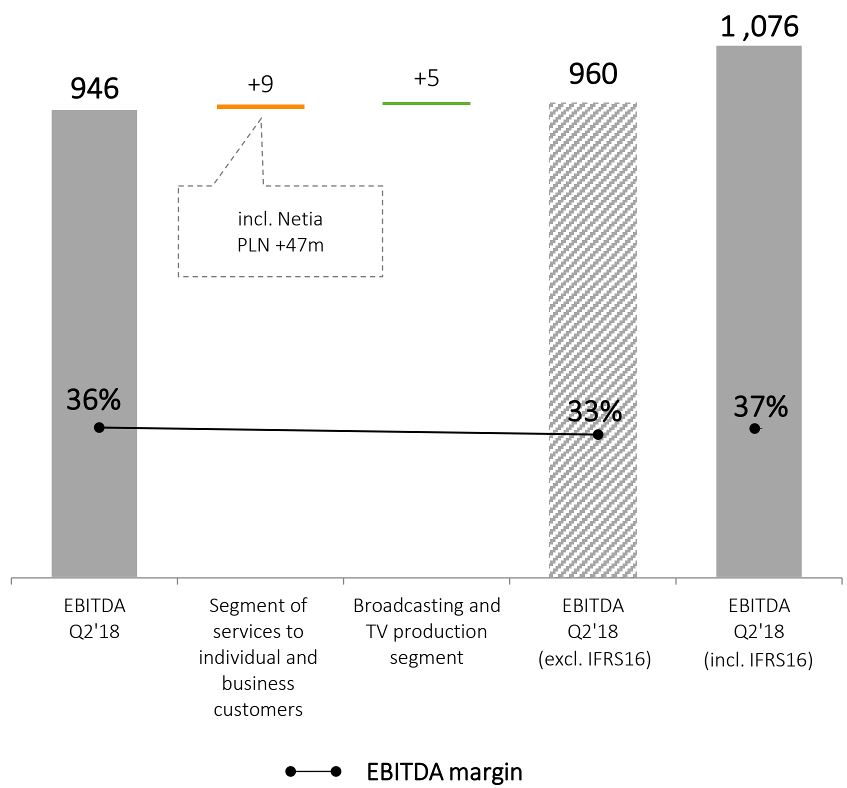
Revenue

YoY change	+12% +310m



EBITDA

YoY change	+1% +14m

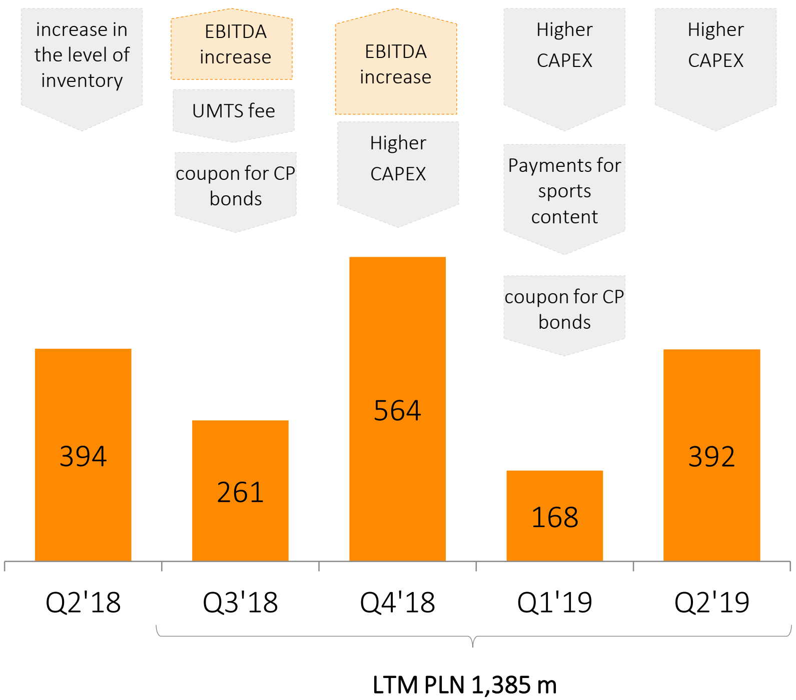


Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses
Note: consolidation of Netia S.A. from 22 May 2018

Stable FCF stream in Q2'19 in YoY perspective, even in spite of higher capital expenditures

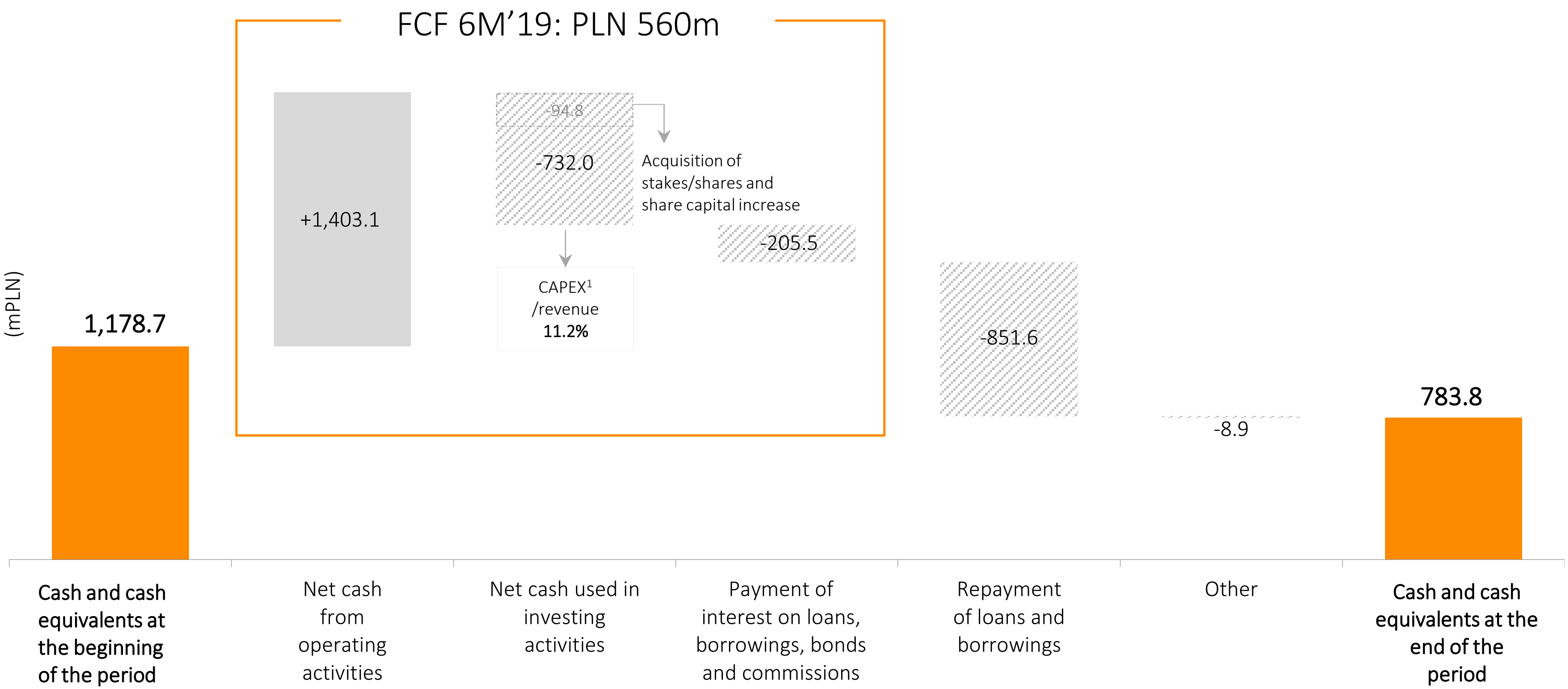
mPLN	Q2'19	6M'19
Net cash from operating activities	761	1.403
Net cash used in investing activities	-365	-732
Payment of interest on loans, borrowings, bonds and commissions	-99	-206
FCF after interest	**297**	**465**
Acquisition of stakes/shares and share capital increase	95	95
Adjusted FCF after interest	**392**	**560**

Adjusted FCF after interest



Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses; FCF excl. IFRS16

Cash flow statement in 6M’19



Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses; FCF excl. IFRS16
Note: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

The Group’s debt

mPLN	Carrying amount as at 30 June 2019 excl. IFRS16, in accordance with the requirements of the Combined SFA	Carrying amount as at 30 June 2019 incl. IFRS16
Combined Term Facility	9,104	9,104
Revolving Facility Loan	270	270
Series B Notes	1,004	1,004
Leasing and other	27	1,414
Gross debt	**10,405**	**11,792**
Cash and cash equivalents[1]	(784)	(784)
Net debt	**9,621**	**11,008**
EBITDA LTM	3,743[2]	3,976
Total net debt / EBITDA LTM	**2.57x**	**2.77x**
Weighted average interest cost[3]	3.3%	

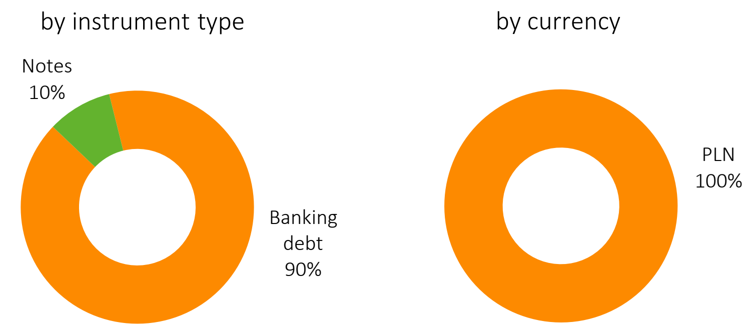
[1] This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.

[2] In 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.

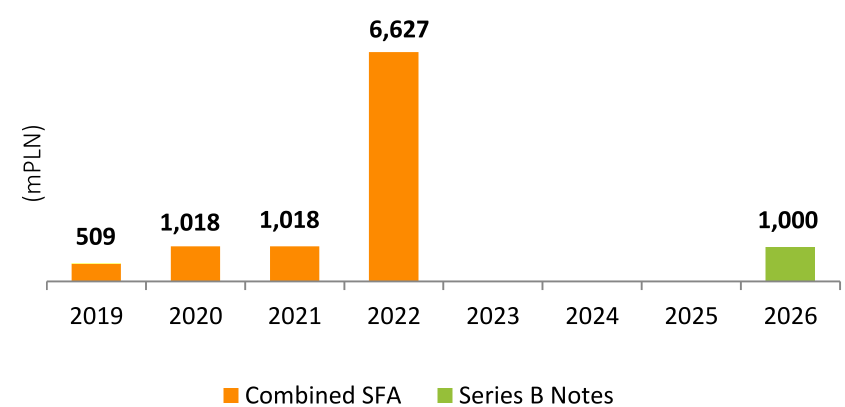
[3] Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments, as at 30 June 2019 assuming WIBOR 1M of 1.64% and WIBOR 6M of 1.79%, excluding hedging instruments.

[4] Nominal value of the indebtedness as at 30 June 2019 (excluding the Revolving Facility Loan and leasing).

Debt structure[4]



Debt maturing profile[4]



Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses

4. Summary and Q&A

Summary

A new, breakthrough Internet TV offer with a set-top box

Rich sports content in Cyfrowy Polsat

(including PKO Ekstraklasa Polish premiership in Canal+ Sport 3 and 4, UEFA Champions League and UEFA Europa League in Polsat Sport Premium channels, matches from top European football leagues, including Spanish La Liga Santander, Italian Serie A TIM and German Bundesliga, as well as Formula 1® racing in Eleven Sports channels, European Volleyball Championship 2019, European Football Championship qualifiers along with matches of the Polish national team)

Excellent operating performance: 1.9m multiplay customers/ 522K new services / record low churn of 7.0% / ARPU growth to PLN 83.4

Stable financial results allow the implementation of dividend policy with a simultaneous increase in creditors' confidence reflected in rating upgrade (Ba1)

5. Additional information:

Financial results excl. IFRS16

Results of the segment of services to individual and business customers

Excluding IFRS16

mPLN	Q2'19	*YoY change*
Revenue	2,459	*9%*
Operating costs(1)	1,662	*14%*
EBITDA	804	*1%*
EBITDA margin	32.7%	*-2.7pp*

- Growth of major income statement items, mainly due to consolidating the results of Netia Group which has come under Cyfrowy Polsat Group's control starting 22 May 2018

Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Results of the broadcasting and TV production segment

Excluding IFRS16

mPLN	Q2'19	*YoY change*
Revenue	520	*26%*
Operating costs(1)	364	*39%*
EBITDA	156	*3%*
EBITDA margin	30.0%	*-6.6pp*

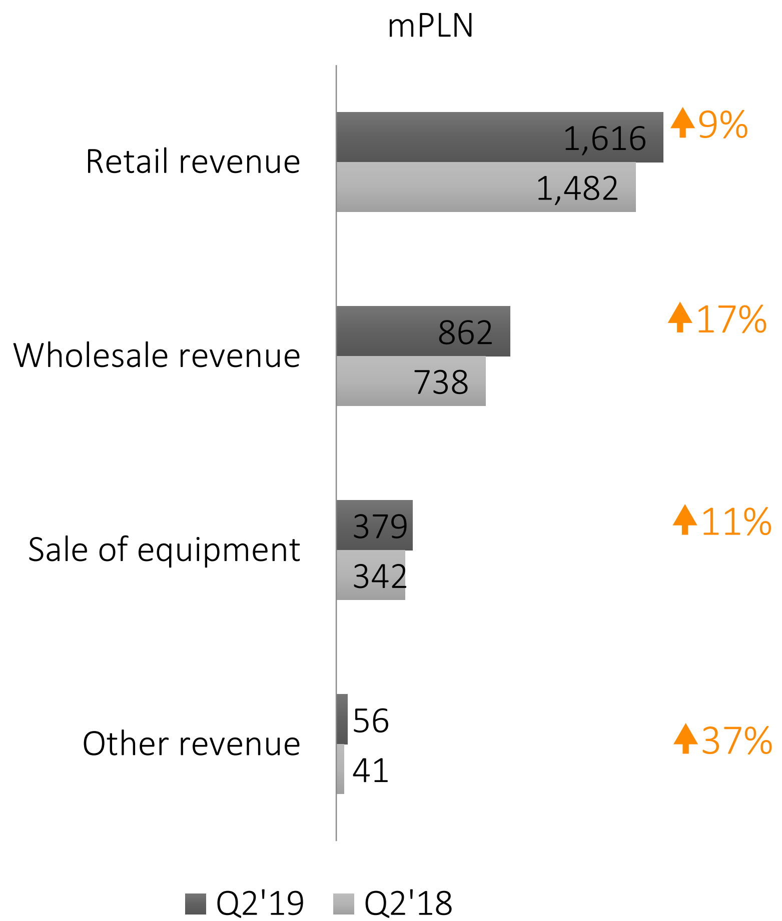
- The segment's results were affected by addition of new TV channels to the wholesale portfolio, including in particular the Eleven Sports Network and Polsat Sport Premium packages

Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses

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

Revenue structure

Excluding IFRS16

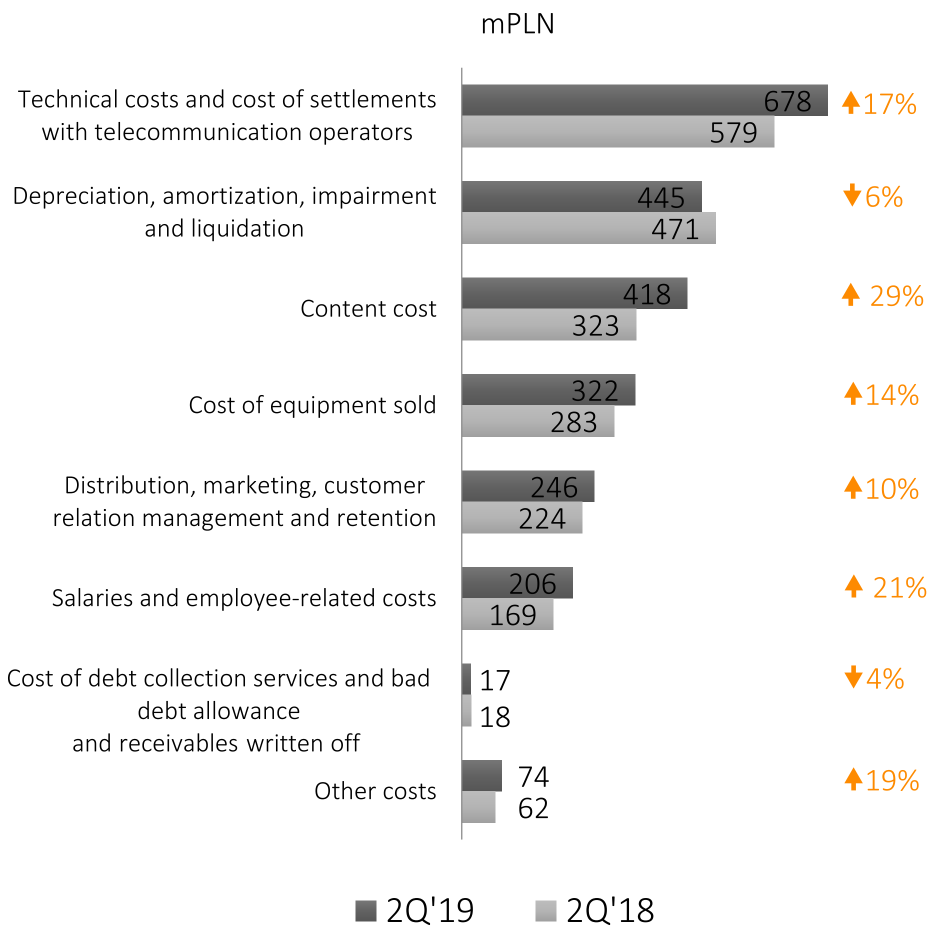


- The increase of **retail revenue** was primarily due to the consolidation of Netia Group's results, effective May 22, 2018. Excluding the impact from the above mentioned factor, retail revenue decreased year on year by approx. 1% as lower revenue from voice services was partially compensated by higher revenue from pay TV and data transmission services.
- The increase in **wholesale revenue** was primarily due to consolidating results of Netia Group. Excluding the increase resulting from the consolidation of Netia Group, wholesale revenue grew by approximately 16% and the increase was triggered primarily by the inclusion of new TV channels to our wholesale offering, in particular the Eleven Sports Network and Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators. Furthermore, we recorded higher revenue from the sale of programming sublicenses, the resale of the capacity of our mobile network to MVNO customers and advertising and sponsoring. In turn, we recorded a year-on-year decrease in revenues from providing national roaming services to P4.
- Higher revenue from **sale of equipment**, mainly due to a higher share of more expensive models among the end-user devices sold, which was also reflected in the higher cost of equipment sold, while sales volumes for end-user devices decreased year on year.

Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses

Operating costs structure

Excluding IFRS16



- Increase in **technical costs** mainly due to the consolidation of Netia Group's results. After excluding this factor, cost of settlements with telecommunication operators increased by approx. 7%. This increase resulted mainly from higher interconnection costs, higher cost of purchasing traffic in international roaming and higher provisions for the cost of electricity.
- Increase in **content costs** was mostly the result of higher cost of internal and external production and amortization of sports rights related to, in particular, the Polsat Sport Premium channels launched in the second half of 2018 which broadcast, among others, football games of the UEFA Champions League and the UEFA Europa League and the Eleven Sports Network channels bought in May 2018.
- Higher **cost of equipment sold** as a consequence of a higher share of more expensive models among the end-user devices sold while sales volumes for end-user devices decreased year on year.
- Higher **salaries and employee-related costs** mainly due to the consolidation of results of: Netia Group, Coltex and Eleven Sports Network, as well as due to the conversion of employment status of part of temporary employees into permanent jobs.

Source: Consolidated financial statements for the 6-month period ended 30 June 2019 and internal analyses

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.

CYFROWY POLSAT

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