Financial results Q1 2017

11 May 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 Q&A

1. Key events

Key events

Management Board recommended dividend payment in the amount of PLN 0.32 per share

Continuation of deleveraging strategy – decision regarding early redemption of Litenite notes in the amount of PLN 945 million

S&P Global Ratings has increased the rating outlook for Cyfrowy Polsat to positive

Numerous new attractive offers (including a new release of smartDOM 9P, Plush ABO, Ja + PlusBank, Ja + Perfekcyjny Duet)

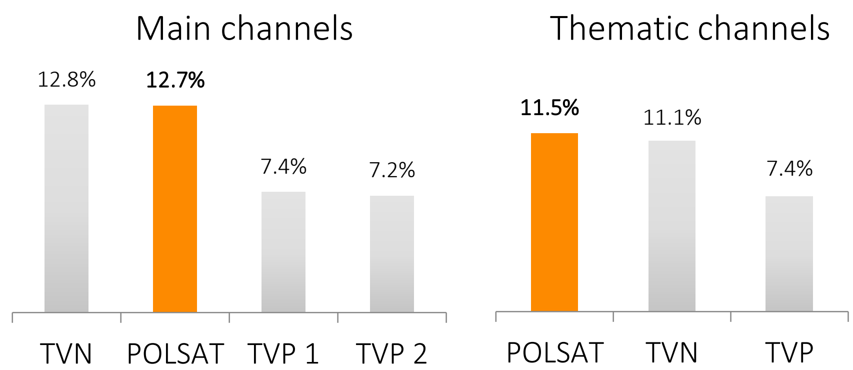
2. Operating results

2.1 Broadcasting and TV production segment

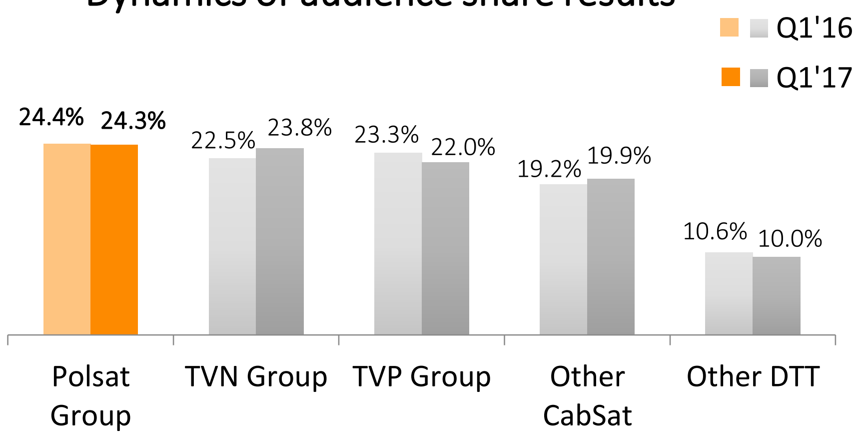
Viewership of our channels

- Viewership in line with the long-term strategy

Audience shares



Dynamics of audience share results

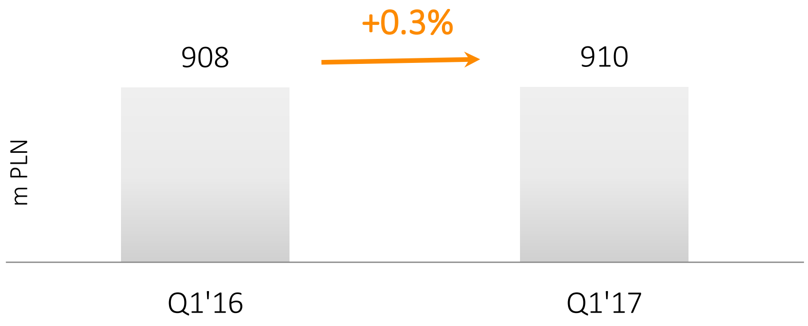


Source: NAM, All 16-49, all day, SHR%; internal analysis

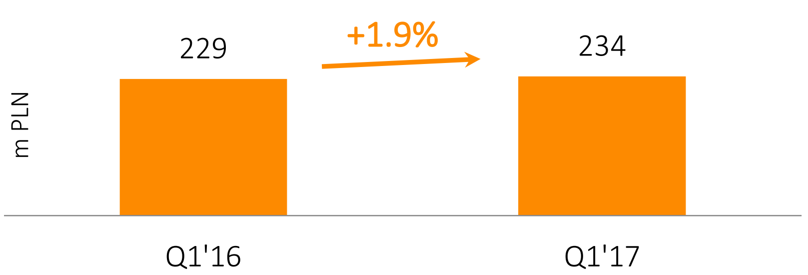
Position on the advertising market

- TV advertising and sponsorship market increased by 0.3% YoY in Q1’17
- Revenue from TV advertising and sponsorship of TV Polsat Group grew much faster than the market
- Our share in the TV advertising and sponsoring market increased to 25.7%

Market expenditures on TV advertising and sponsorship



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



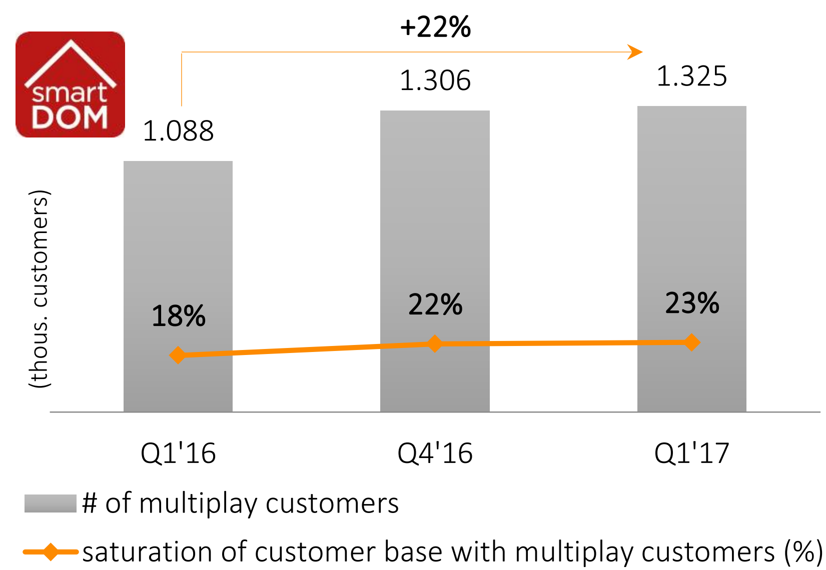
Source: Starcom, preliminary data, airtime and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom’s definition

2.2 Services to individual and business customers

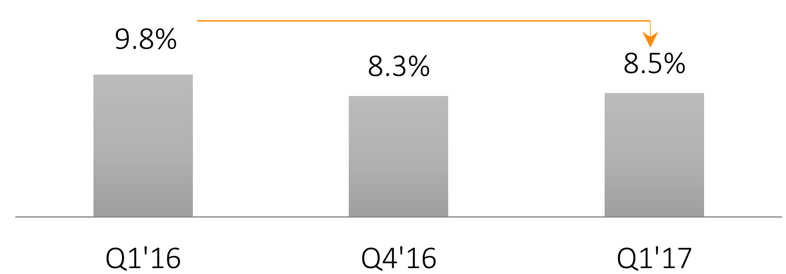
Multiplay strategy is effective

- Low churn level, mainly thanks to our multiplay strategy
- Contract customer base sees stable growth of saturation with integrated services
- "smartDOM Home Savings Program" – a new release of the smartDOM program, featuring 9 products and services – the effects of the new campaign are expected in 2H’17

Number of multiplay customers

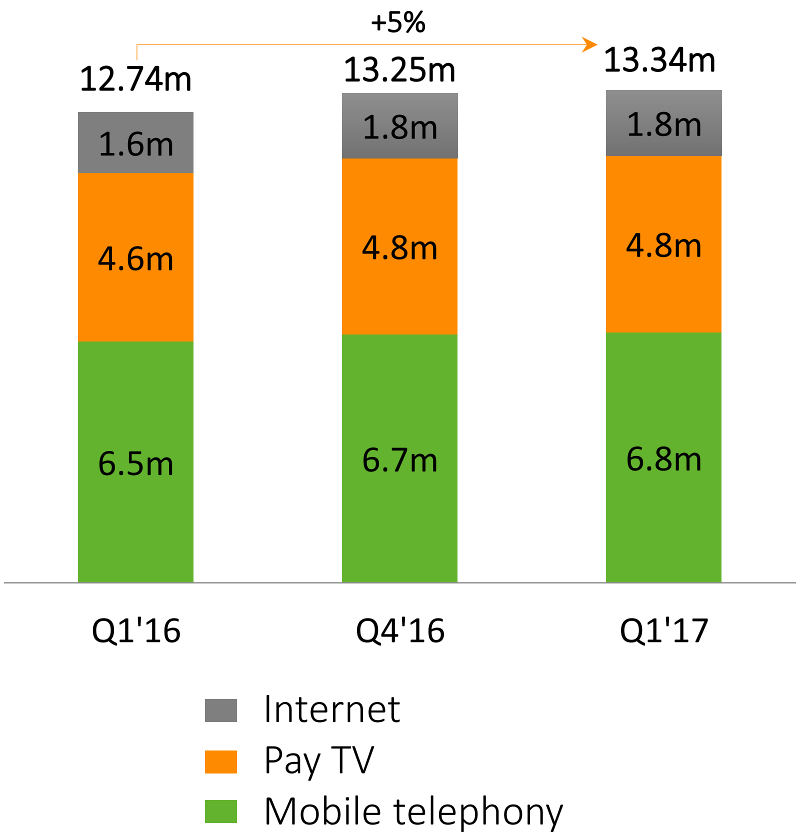


Churn



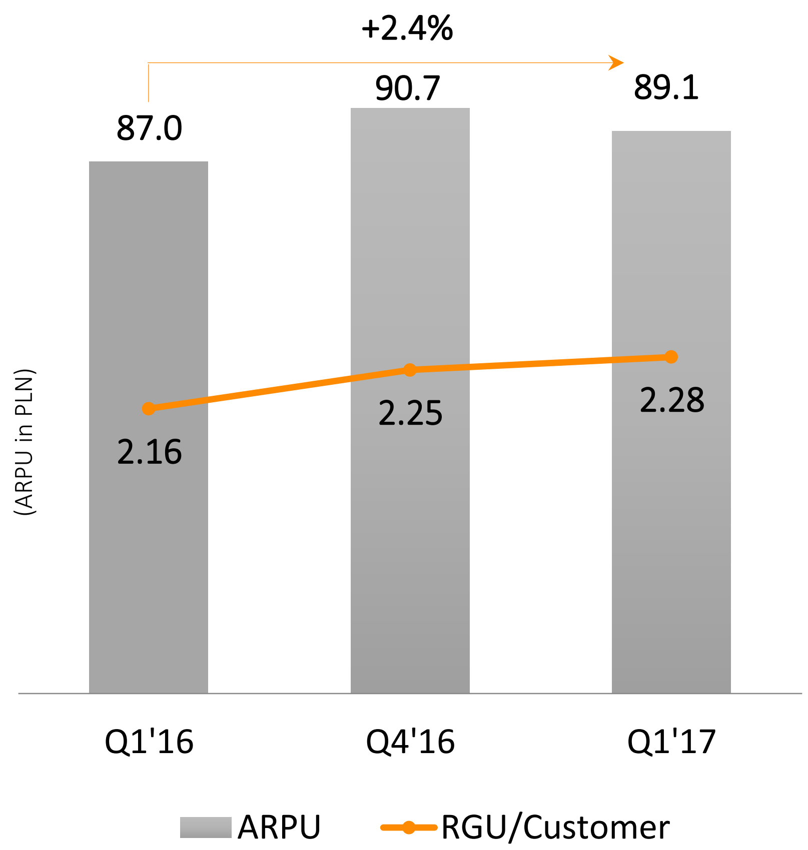
Continuation of growth in contract services

- Strong growth in the number of contract services by 593K YoY
- 249K YoY of additional mobile telephony RGUs mainly due to the favorable effect of our multiplay strategy, temporarily supported by intensified migration of customers from the prepaid segment
- Pay TV RGUs increased by 226K YoY (effect of multiroom and paid OTT)
- Further growth in Internet access RGUs by 119K YoY



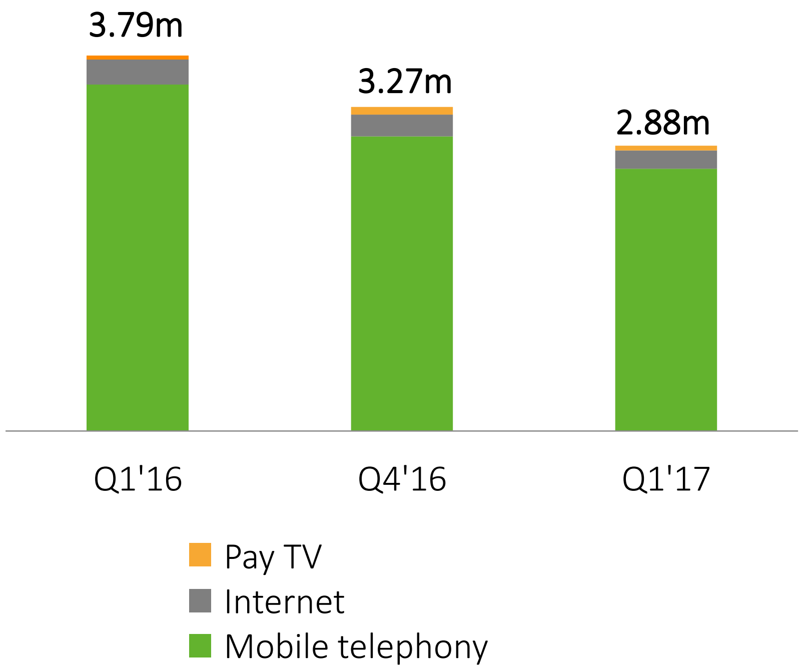
Effective building of ARPU

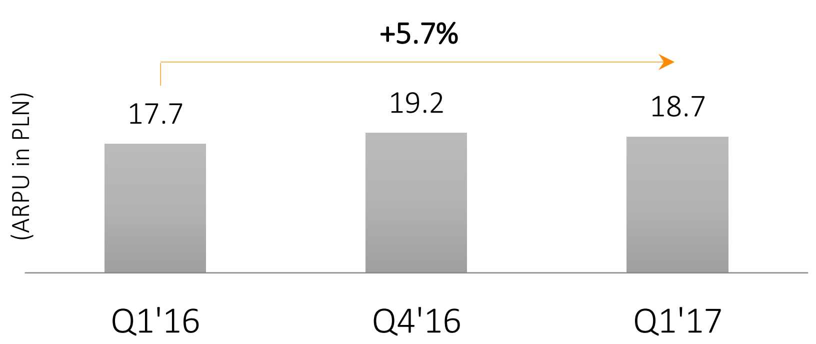
- High growth rate of ARPU in Q1'17: +2.4% and PLN +2.1 YoY on a highly competitive market
- Successful product up-selling reflected in the growth of saturation of RGUs per customer



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

- The effects of the obligatory prepaid SIM registration is fully reflected in the customer base for 1Q’17 – all the SIM cards reported by Cyfrowy Polsat have been effectively registered
- Declining influence of registration - stimulating promotions is reflected in strong ARPU growth

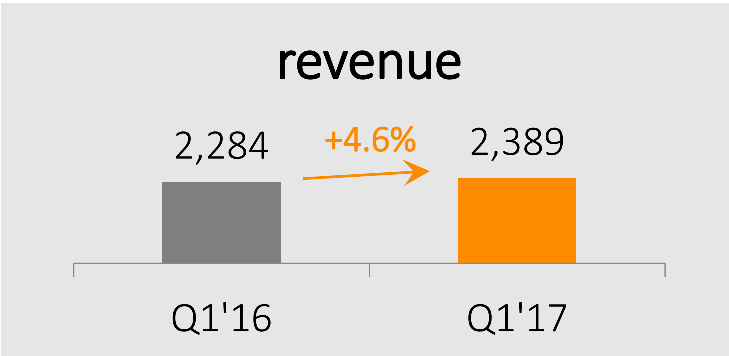


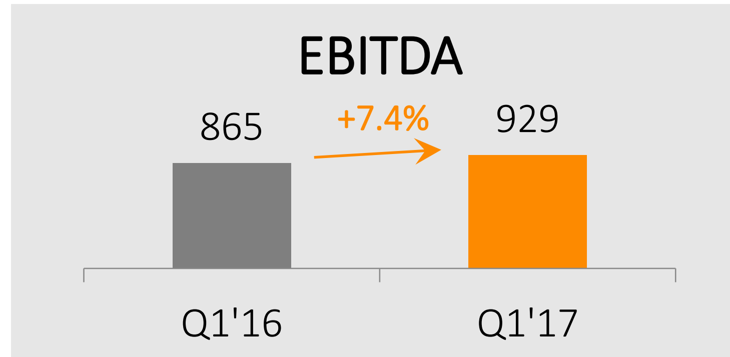


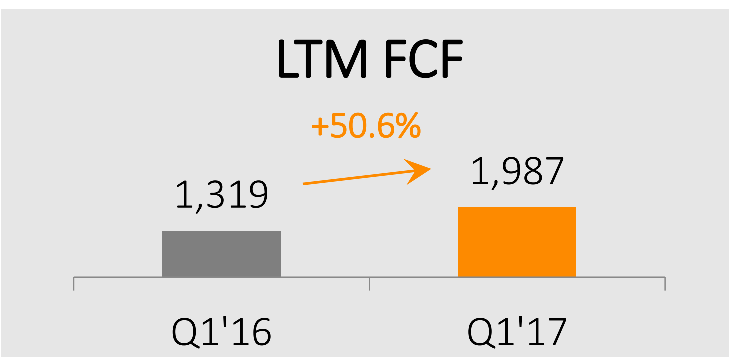
3. Pro-forma financial results

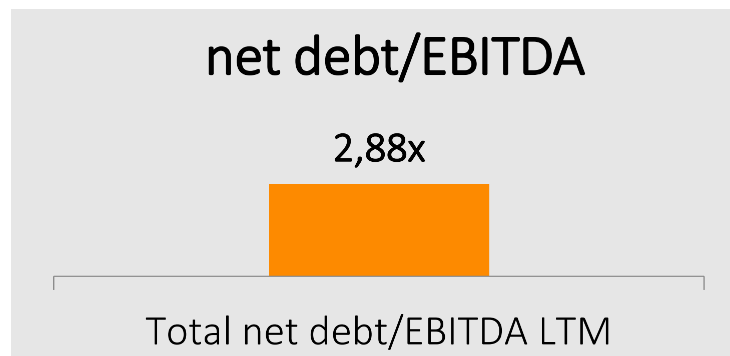
Full quarterly consolidation of Aero2 Group results
(previously Midas Group)

Pro-forma results of the Group







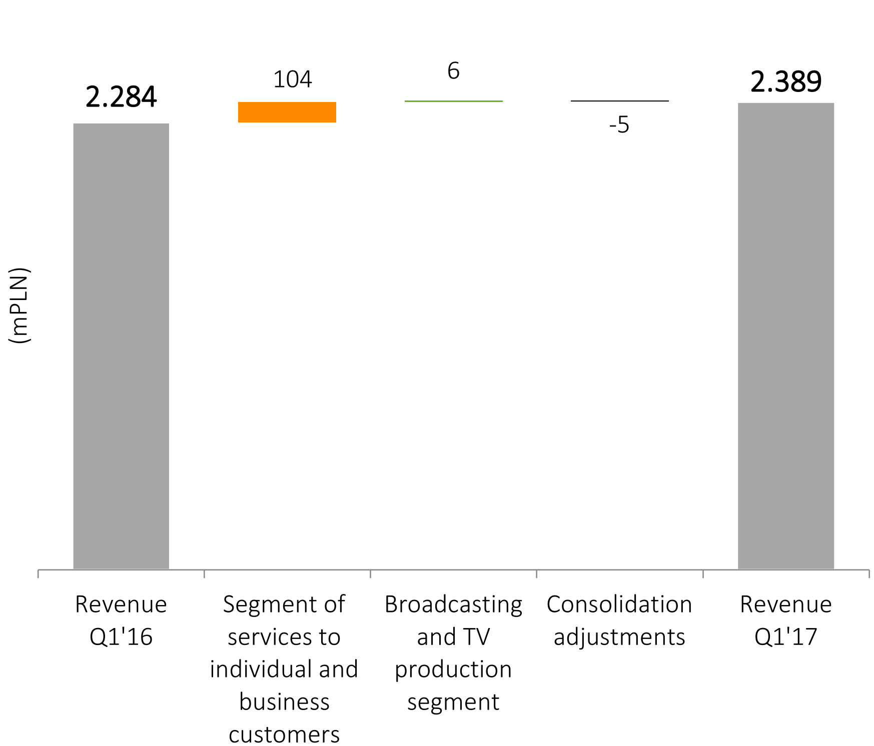


Source: Pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Aero2 (previously Midas), consolidated financial statements and internal analysis

Pro-forma revenue and EBITDA – change drivers

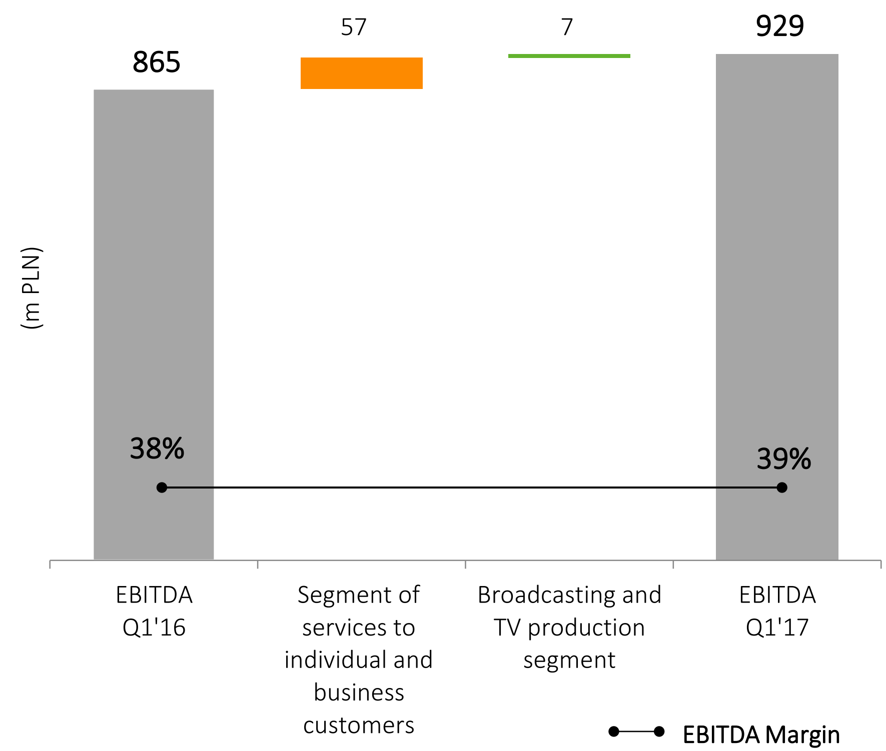
Revenue

YoY change **+5% +105m**



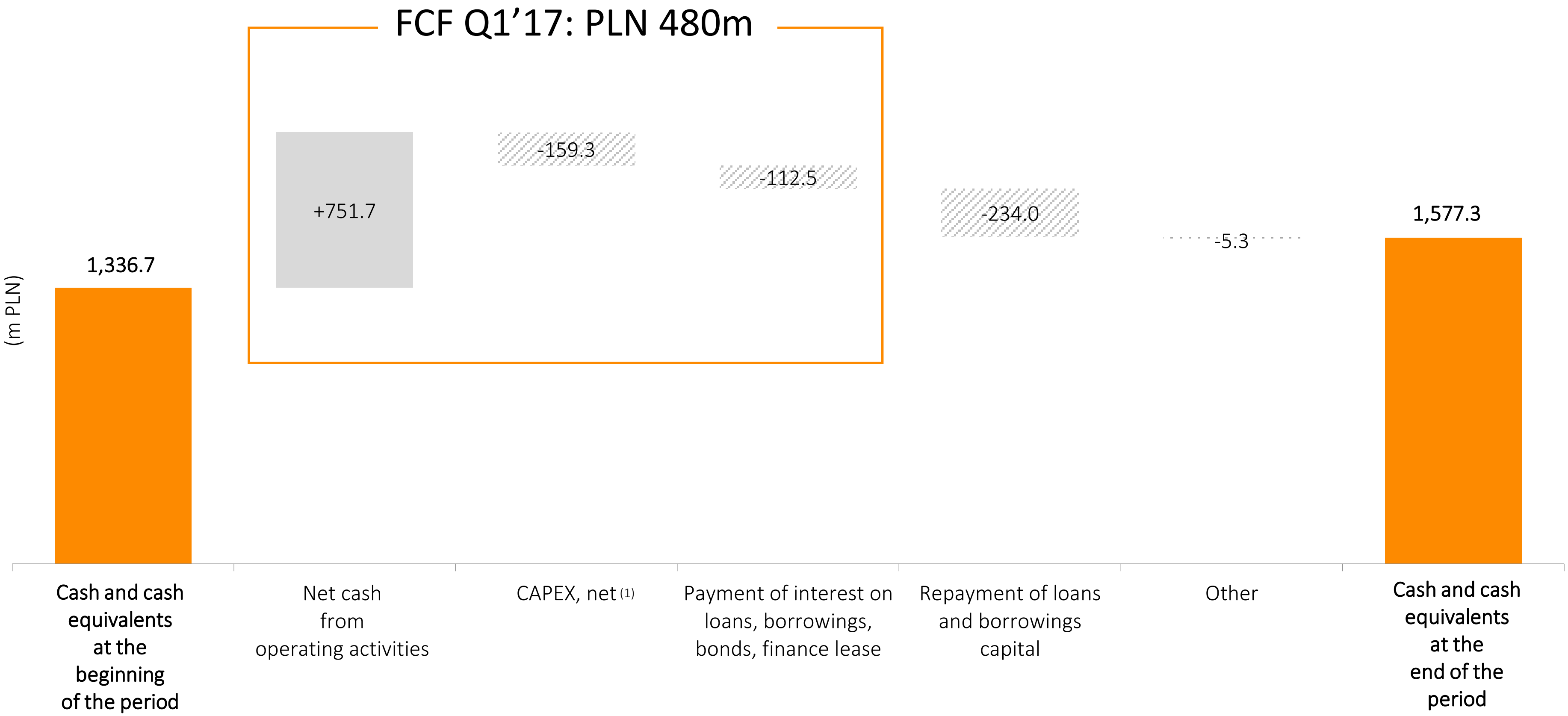
EBITDA

YoY change **+7% +64 m**



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

Cash flow statement in Q1’17

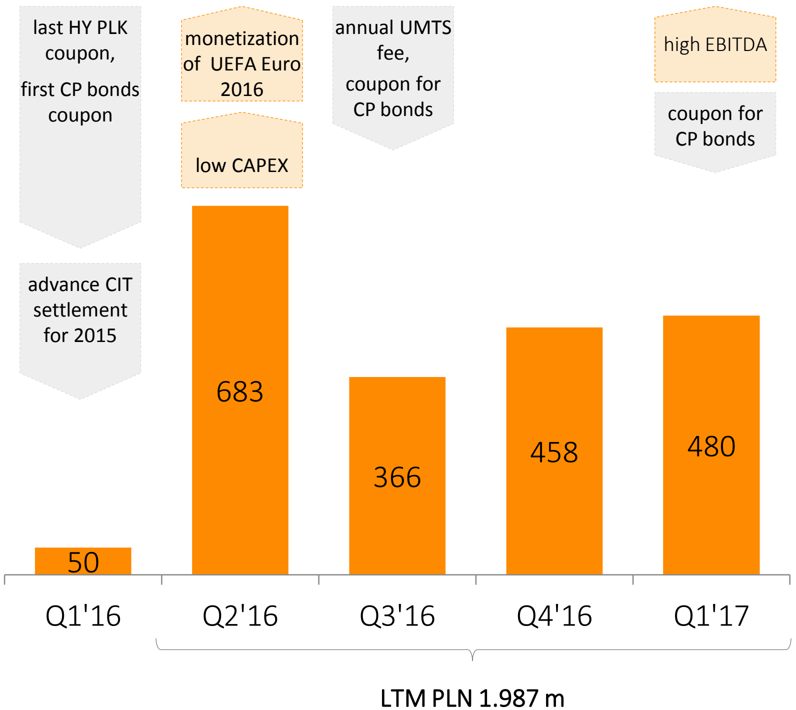


Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis
Note: (1) excluding expenditures on set-top-boxes leased to customers

FCF reflects a strong EBITDA and full-scale interest savings

mPLN	Q1'17
Net cash from operating activities	752
Net cash used in investing activities	-159
Payment of interest on loans , borrowings and bonds	-113
FCF after interest	**480**
no corrections	-
Adjusted FCF after interest	**480**

Adjusted FCF after interest



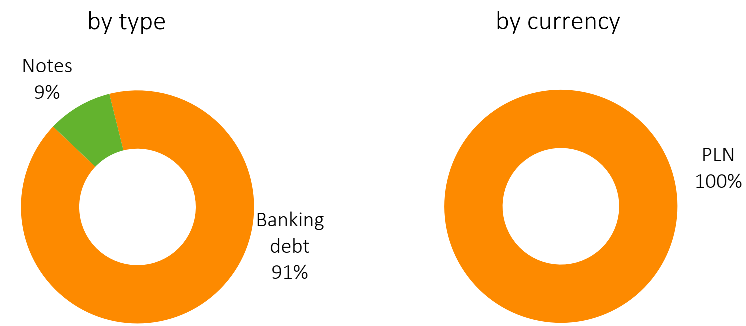
Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis

The Group's debt

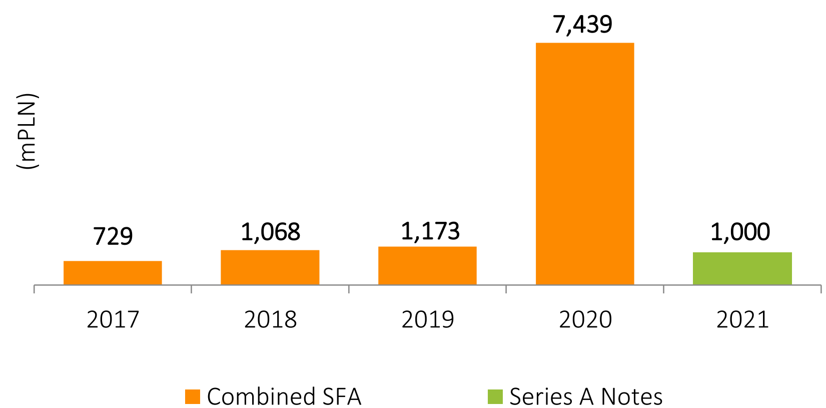
mPLN	Carrying amount as at 31 March, 2017
Combined Term Facility	10,343
Revolving Facility Loan	-
Series A Notes	1,007
Zero-coupon Litenite Notes	939
Leasing and other	28
Gross debt	**12,317**
Cash and cash equivalents[1]	(1,577)
Net debt	**10,740**
EBITDA LTM	3,724
Total net debt / EBITDA LTM	**2.88**

[1] On 26 April 2017, all the Litenite Notes were prematurely redeemed
[2] This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits
[3] Nominal value of the indebtedness as at 31 March 2017 (excluding the Revolving Facility Loan, leasing and prematurely redeemed Litenite Notes)

Debt structure excl. Litenite Notes



Debt maturing profile excl. Litenite Notes[3]



Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis

4. Summary and Q&A

Summary

Another consecutive quarter of **solid operating performance** in both business segments

Dynamic growth of revenue and EBITDA

Strong FCF LTM (PLN 2 bn), which enables the company for quicker deleveraging

Management Board recommended **dividend payment**

5. Additional information

5.1 Pro-forma financial results

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

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

mPLN	Q1’17	*YoY change*
Revenue	2,130	*5%*
Operating costs[1]	1,310	*3%*
EBITDA	821	*7%*
EBITDA margin	38.6%	*0.9pp*

- Revenue growth due to higher revenue from sales of equipment and higher wholesale revenue
- Cost level mainly affected by higher technical costs and IC settlements, and higher content costs

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

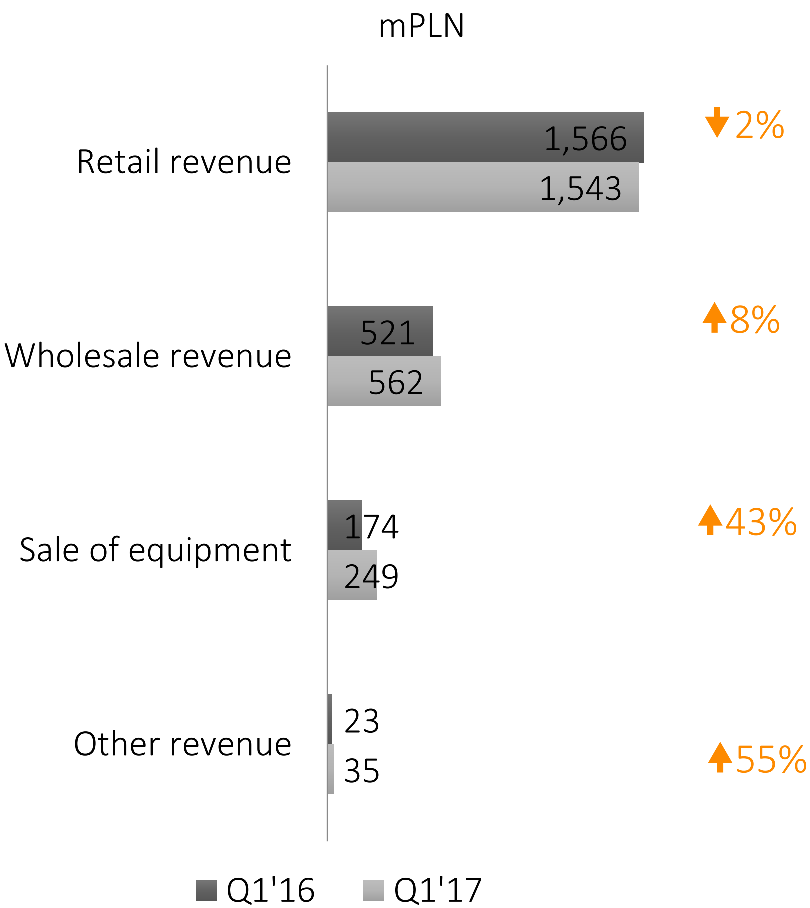
Results of the broadcasting and TV production segment

mPLN	Q1'17	*YoY change*
Revenue	305	*2%*
Operating costs[1]	202	*2%*
EBITDA	108	*7%*
EBITDA margin	35.4%	*1.5pp*

- Revenue growth and concurrent maintaining of the audience shares of Polsat Group channels
- Small additional investments in content of the Group's channels and discipline with respect to other costs result in EBITDA improvement

Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

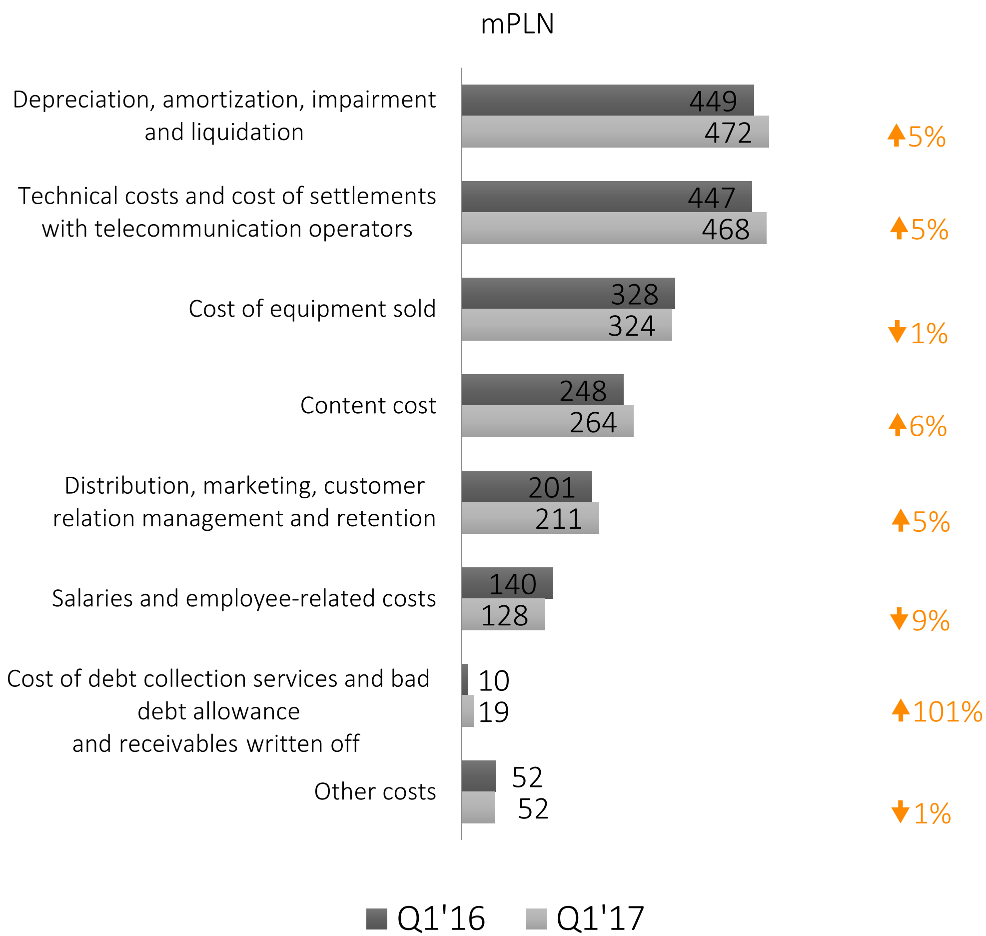
Pro-forma revenue structure



- Decrease of revenue from voice services partially compensated by higher revenue from pay TV services and Internet access services and data services
- Growing revenue from IC settlements impact the dynamics of wholesale revenue
- Higher revenue from sale of equipment, mainly due to the growing share of installment plan sales of equipment

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

Pro-forma operating costs structure



- Higher technical costs due to higher interconnection costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks
- Higher content costs caused primarily by the recognition of higher costs of programming licenses related to the expansion of our pay TV offer, as well as higher costs of internal production for the main channel
- Higher distribution, marketing, customer relation management and retention costs, among others due to the recognition of higher costs of customer service and retention related to the increase in per hour rates resulting from an upward pressure on wages on the Polish market, as well as higher marketing costs

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

mPLN	Q1'17	*YoY change*
Revenue	2,389	*1%*
Operating costs(1)	1.466	*-4%*
EBITDA	929	*10%*
EBITDA margin	38.9%	*3.1pp*
Net profit	271	*52%*

- 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, which was partially offset by higher content costs, distribution, marketing, customer relation management and retention costs, as well as the cost of debt collection services and bad debt allowance
- Net profit increased mainly due foreign exchange gains resulting from the decrease in the valuation of liabilities related to the UMTS license, as well as the recognition in Q1'16 of foreign exchange losses on the valuation of the PLK Senior Notes

Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Results of the segment of services to individual and business customers

mPLN	Q1'17	*YoY change*
Revenue	2,130	*1%*
Operating costs(1)	1,310	*-4%*
EBITDA	821	*10%*
EBITDA margin	38.6%	*3.2pp*

- The level of revenue under the influence of higher revenue from sale of equipment, which was partially consumed by lower wholesale revenue and lower retail revenue from individual customers
- The level of operating costs mainly affected by lower technical costs and IC settlements

Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Results of the broadcasting and TV production segment

mPLN	Q1'17	*YoY change*
Revenue	305	*2%*
Operating costs[1]	202	*2%*
EBITDA	108	*7%*
EBITDA margin	35.4%	*1.5pp*

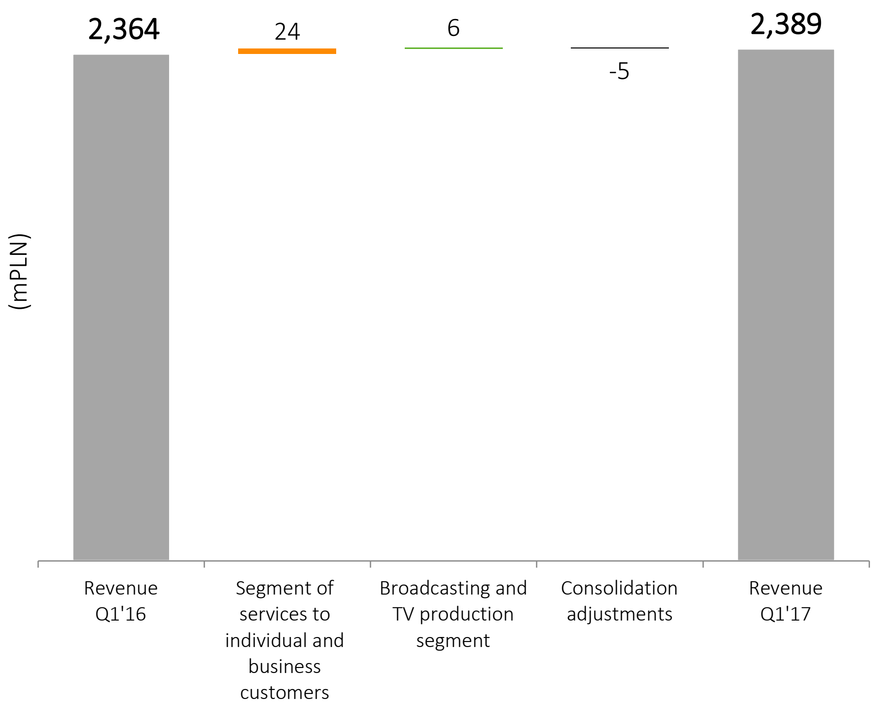
- Revenue growth and concurrent maintaining of the audience shares of Polsat Group channels
- Small additional investments in content of the Group's channels and discipline with respect to other costs result in EBITDA improvement

Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Revenue and costs – change drivers

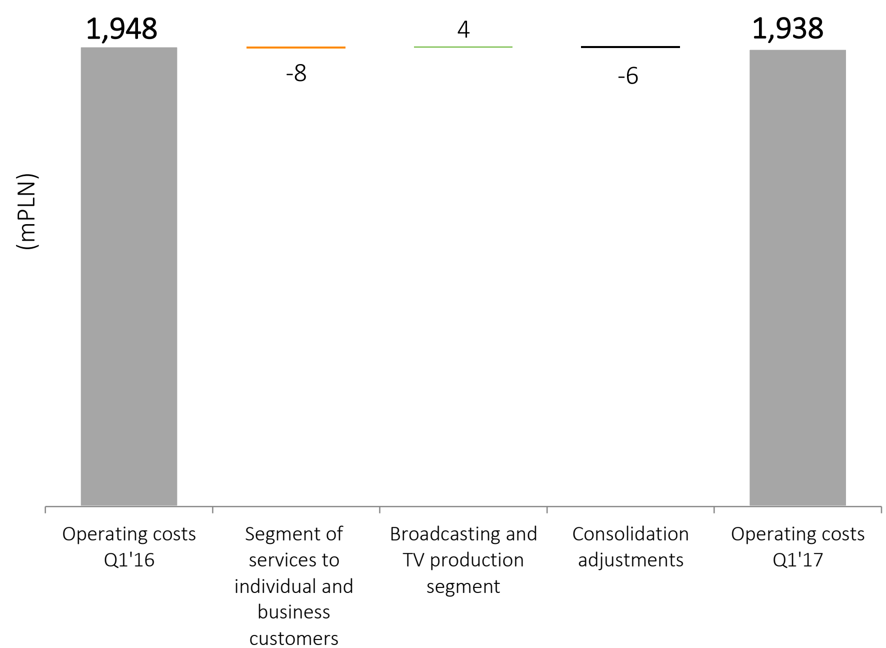
Revenue

YoY change	1% 25m



Operating costs

YoY change	-1% -10m

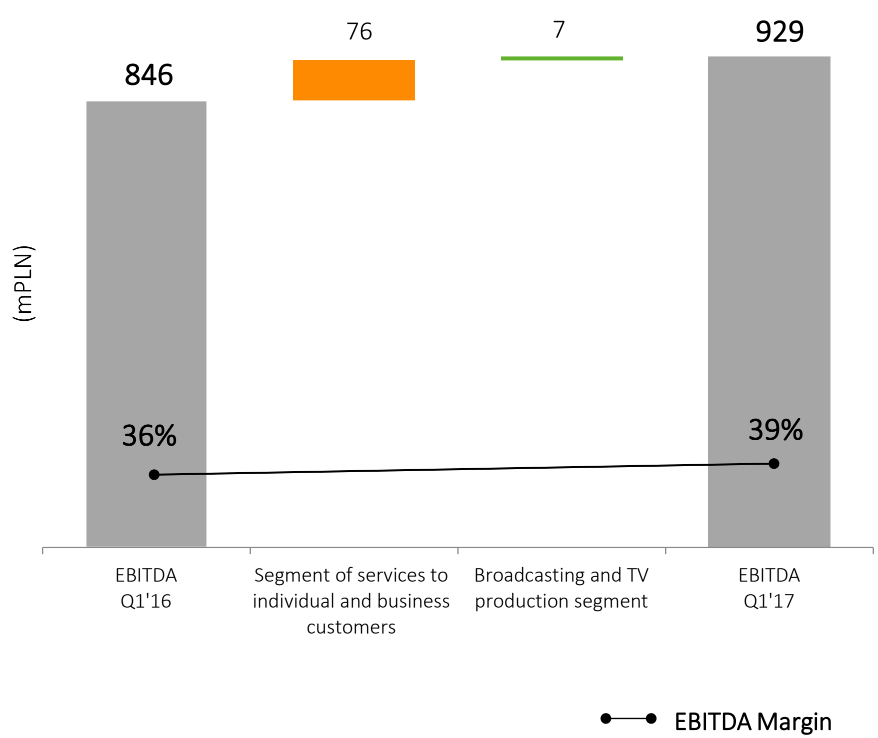


Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis

EBITDA and net profit – change drivers

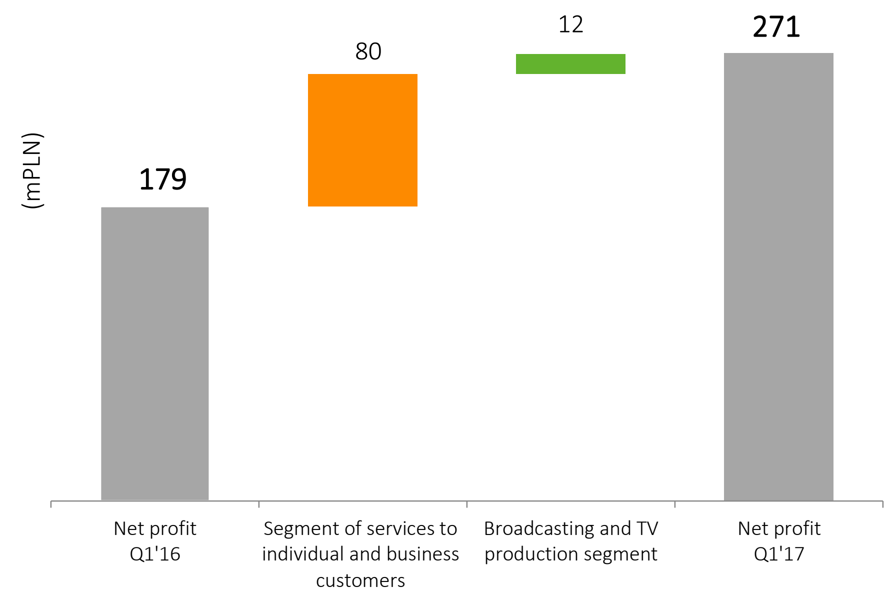
EBITDA

YoY change	+10% +83m



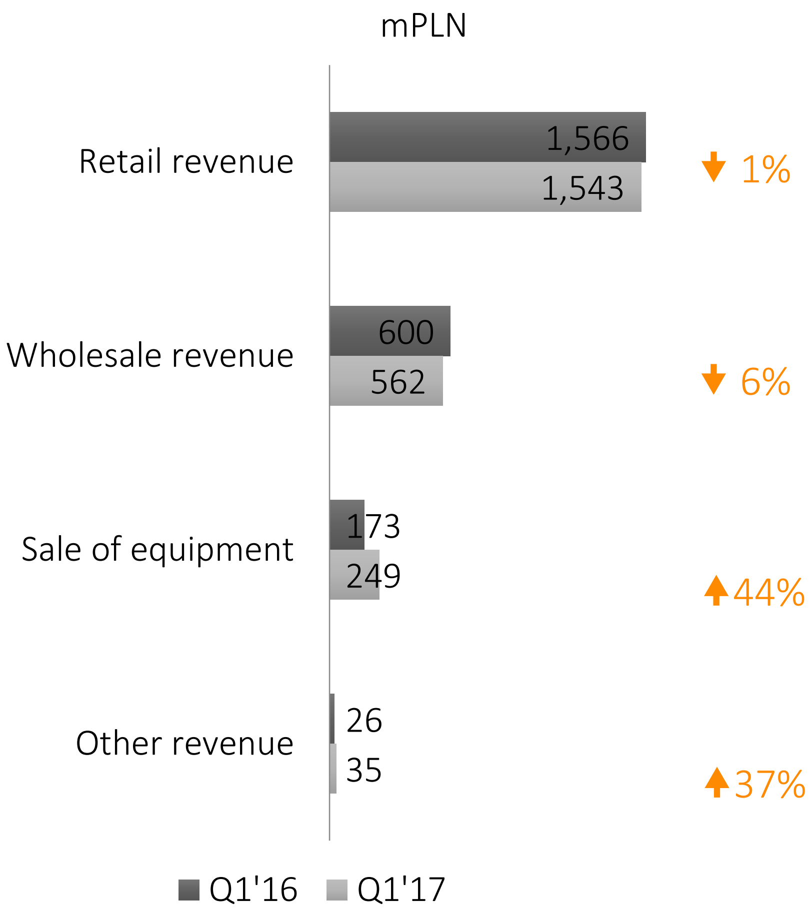
Net profit

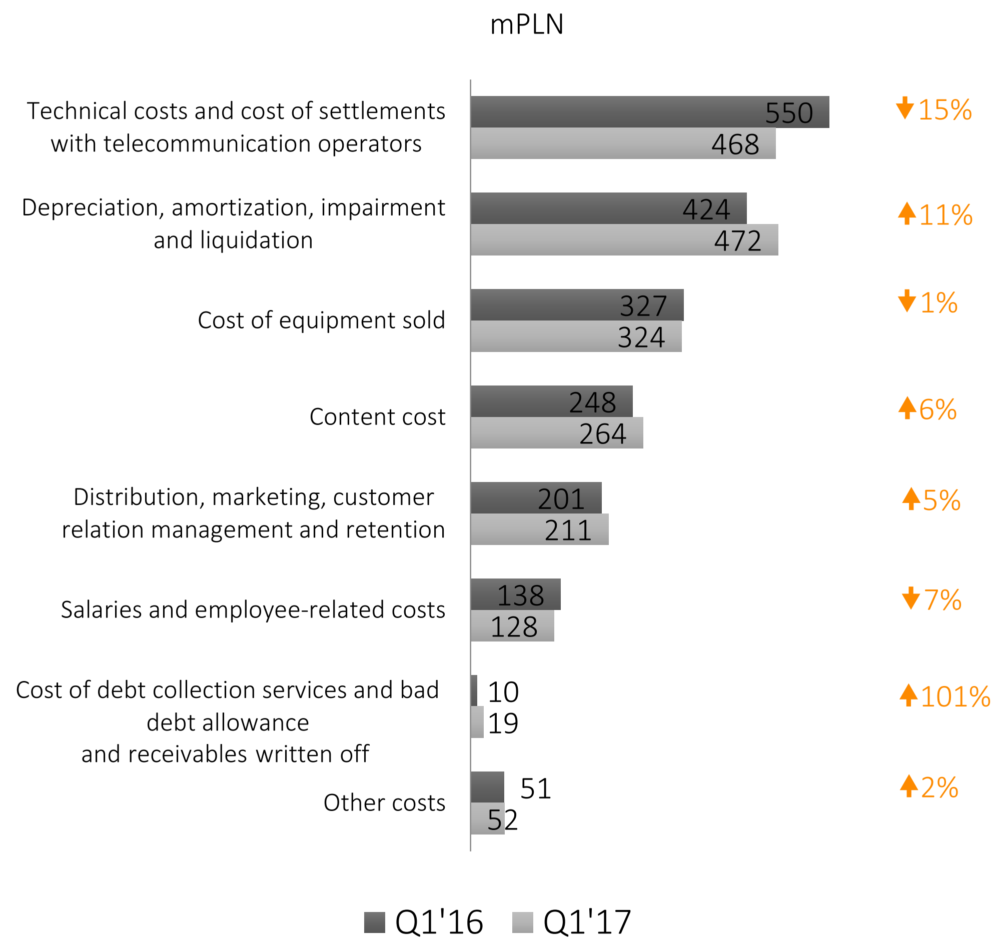
YoY change	52% 92m



Source: Consolidated financial statements for the 3-month period ended 31 March 2017 and internal analysis

Revenue and operating costs structure





Source: Consolidated financial statements for the 3-month period ended 31 March 2017 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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