Financial results Q1 2019

14 May 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 Q1'19
2. Strengthening the multiplay strategy
3. Operating results
4. Financial results
5. Summary and Q&A

1. Key events in Q1’19

Key events in Q1’19

Plus Fiber Internet Access – an offer of fixed-line Internet access services relying on Netia’s network infrastructure

IPTV and the new EVOBOX IP set-top box in Polsat Group’s offer

Advertising campaign featuring the prepaid offer addressed to Ukrainian citizens

Successful refinancing of bonds – 7-year tenure with a very attractive coupon rate

2. Strengthening the multiplay strategy

Mission of Polsat Group

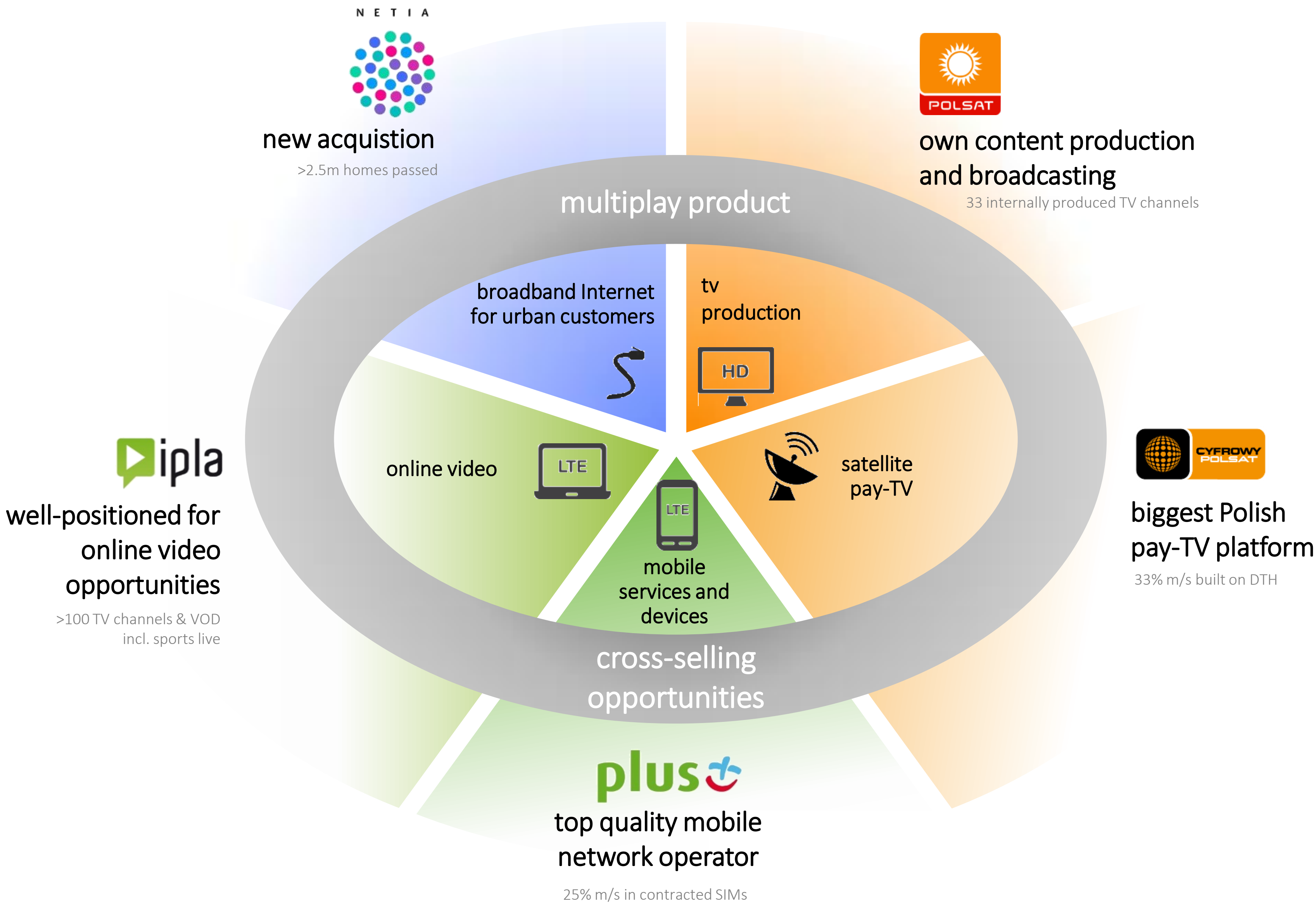
Who we are

We are the leading provider of entertainment and telecommunication in Poland.

Our mission

Our mission is to create and deliver the most attractive TV content, telecommunication products and other services for home as well as for individual and business customers, using state-of-the-art technologies, to provide top quality multiplay services that match the changing needs of our customers while maintaining the highest possible level of their satisfaction.

Our assets



NETIA
new acquistion
>2.5m homes passed
POLSAT
own content production and broadcasting
33 internally produced TV channels
multiplay product
broadband Internet for urban customers
tv production
HD
ipla
well-positioned for online video opportunities
>100 TV channels & VOD incl. sports live
online video
LTE
satellite pay-TV
CYFROWY POLSAT
biggest Polish pay-TV platform
33% m/s built on DTH
LTE
mobile services and devices
cross-selling opportunities
plus
top quality mobile network operator
25% m/s in contracted SIMs

Strategic idea for the coming years

Internet for everyone

Mobile, Home mobile/ODU IDU/, Fiber optic

Content/Television for everyone

Satellite, IPTV (closed network), OTT (open network)

Telephone for everyone

Plus/Plush – subscription and prepaid service available all over Poland

Our services – For everyone. Everywhere.

Television
For everyone. Everywhere.

- Polsat TV – production
- DTH – satellite
- IPLA – OTT+VOD
- IPTV – new set-top box
- DVBT+OTT – new set-top box

New distribution markets

Internet
For everyone. Everywhere.

- LTE/LTE-A
- LTE TDD
- Cable
- Fiber optic

New distribution markets

Telephone
For everyone. Everywhere.

- Contract
- Prepaid
- Fixed-line

VAS upselling = building customer value

Our content – emotions for everyone

General interest

Sports

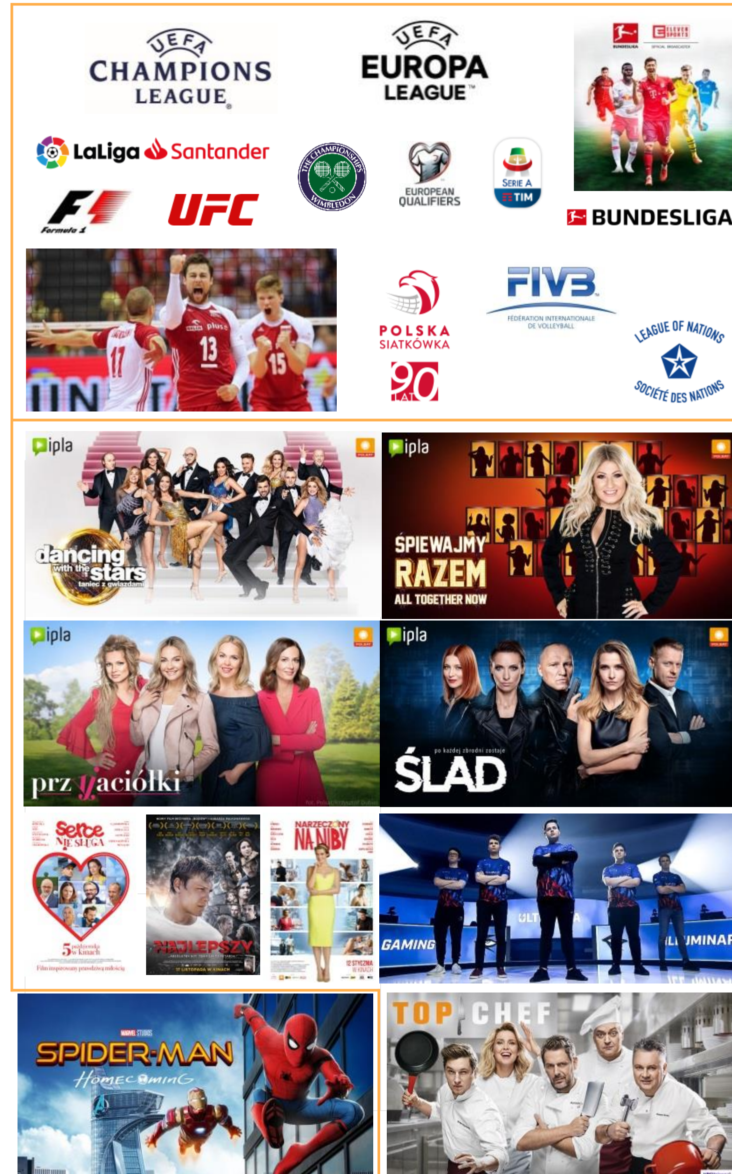
Movie

Music

News

Lifestyle

Cooperations



Sports

Own/local productions

smartDOM strategy: combining a wide portfolio of services with content, i.e. emotions

SERVICES = CONVENIENCE /COMMODITIES/

- Providing stable services against a flat, monthly access fee while ensuring satisfactory quality

CONTENT = EMOTIONS /ENTERTAINMENT/

- Addressing all important audience segments
- Fresh content every day
- On all distribution platforms

smart DOM

VALUE FOR MONEY OFFER

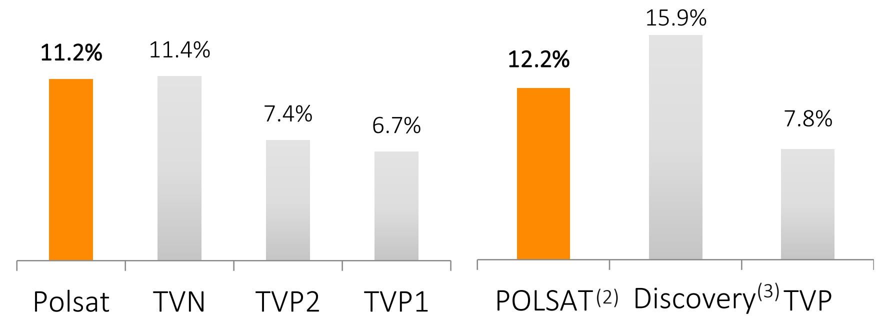
3. Operating results

3.1 Broadcasting and TV production segment

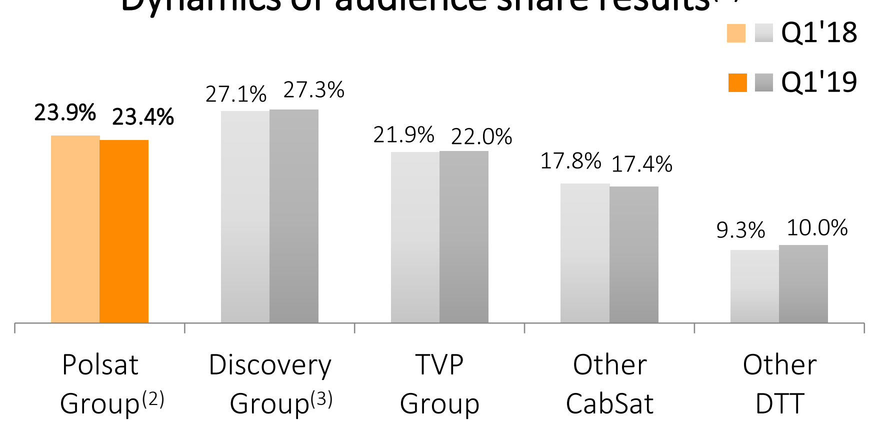
Viewership of our channels in Q1'18

- Polsat Group and its main channel are the viewership leaders 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)

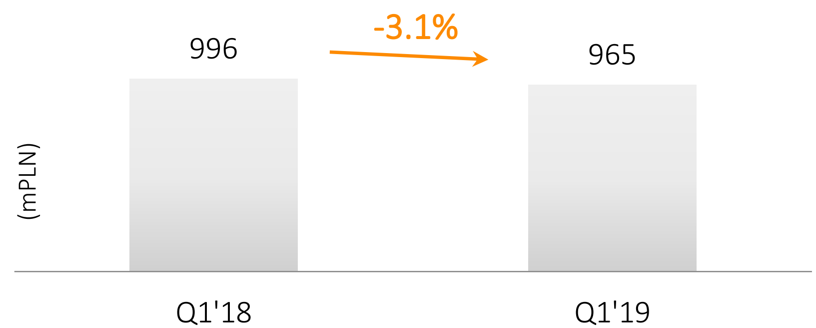
(2) Including Eleven channels and Superstacja (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

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

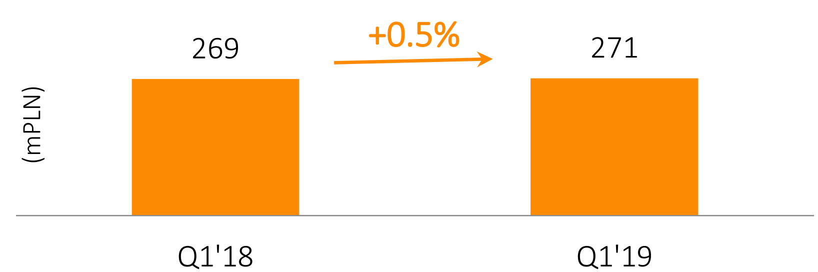
Position on the advertising market in Q1'19

- Revenue from TV advertising and sponsorship generated by Polsat Group grew by 0.5% YoY, despite the market dropping by 3.1% YoY (high base effect)
- As a result, our share in the TV advertising and sponsorship market increased to 28.0%

Market expenditures on TV advertising and sponsorship



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

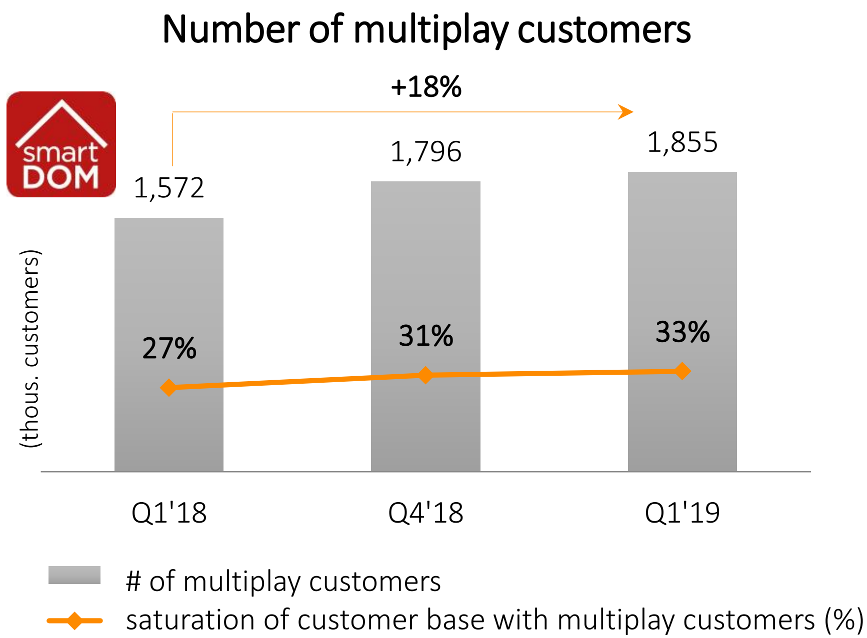


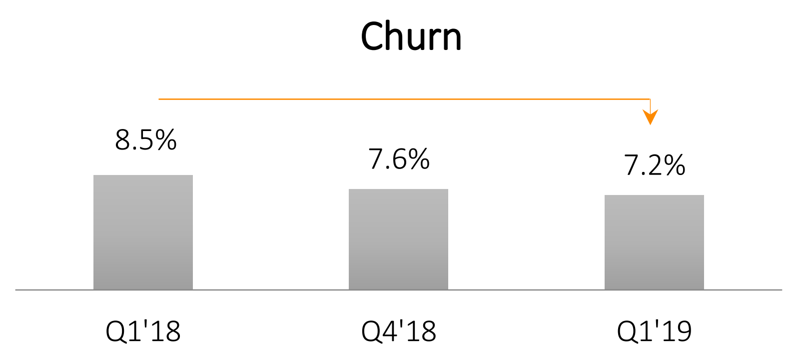
Source: Starcom, preliminary data, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

3.2 Services to individual and business customers

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

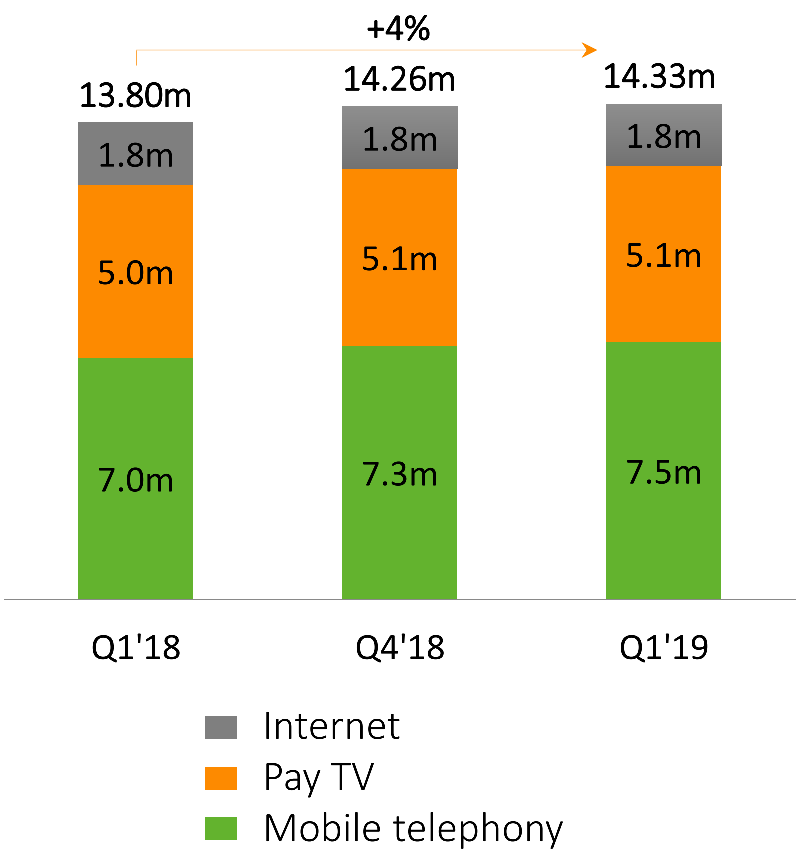
- Consistent implementation of our multiplay strategy results in a stable increase in the number of bundled services customers by 283K YoY
- The number of RGUs owned by these customers increased to 5.57m
- A record low churn level – mainly due to our multiplay strategy





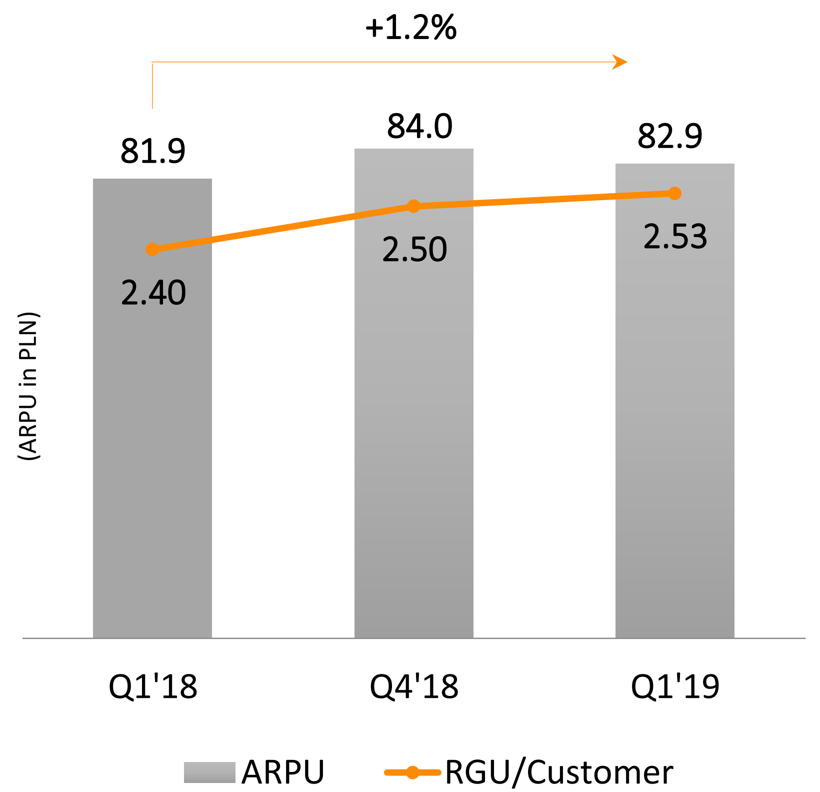
We sold over half a million additional services

- An increase in the number of contract services by 535K YoY
- 455K 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 93K YoY (multiroom and paid OTT effect)
- Stable base of mobile Internet services



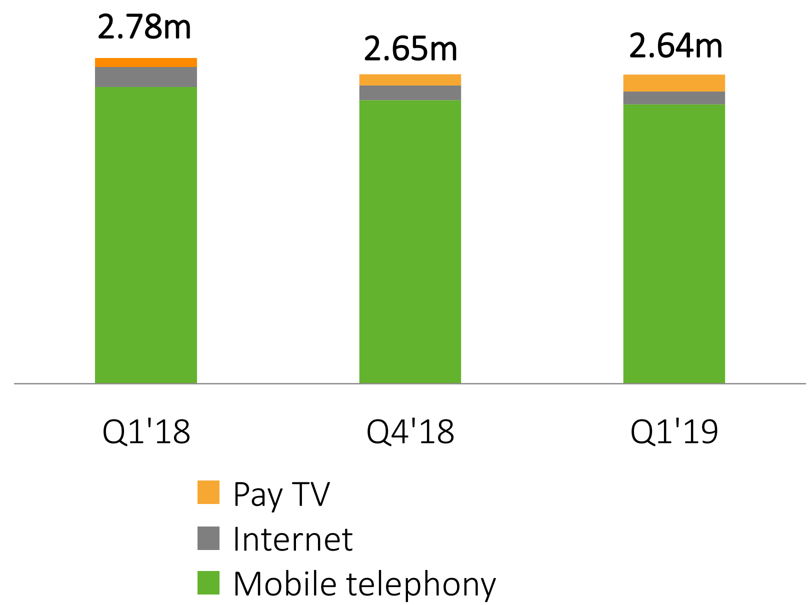
Growth of ARPU thanks to the consistent implementation of the multiplay strategy

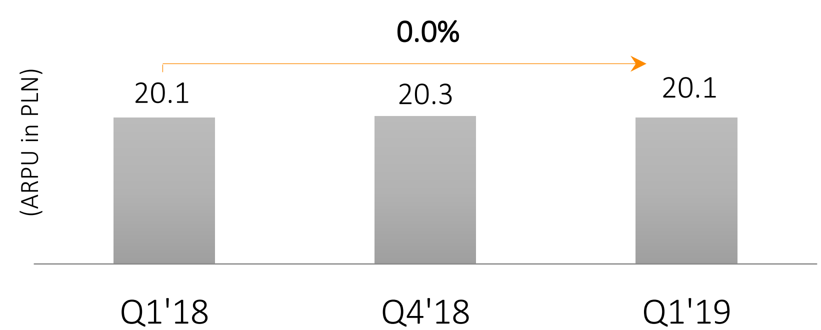
- ARPU increase by 1.2% YoY
- Effective upselling of products under our multiplay strategy continues to be reflected in the growing RGU saturation per customer ratio



High, stable prepaid ARPU

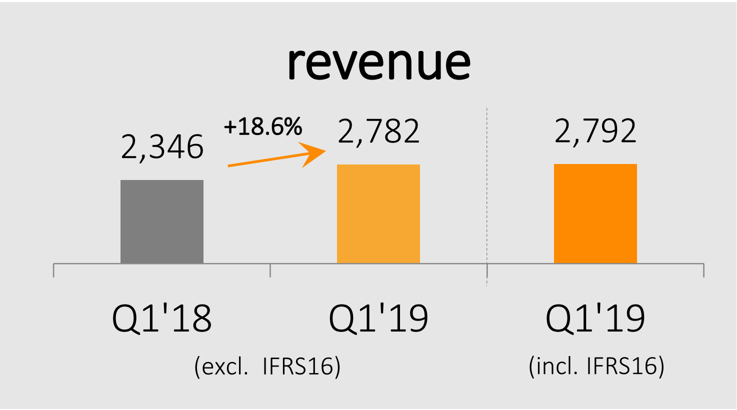
- Stable base of prepaid services and high and stable ARPU level

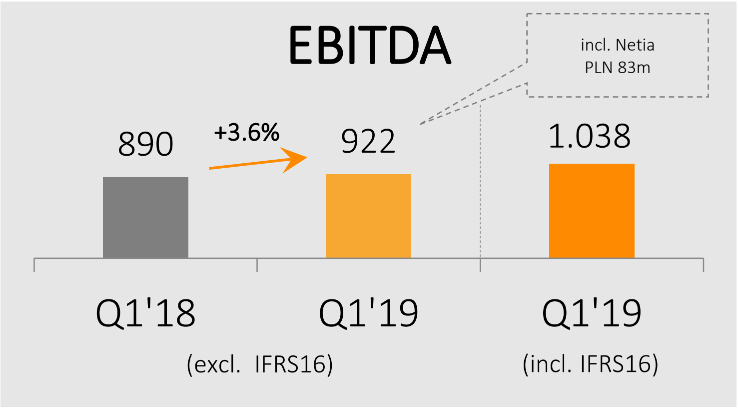


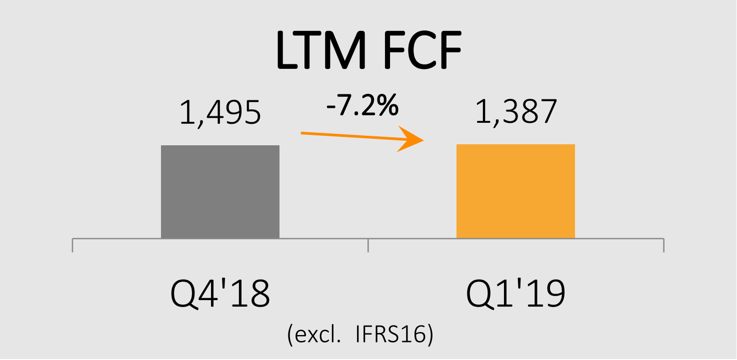


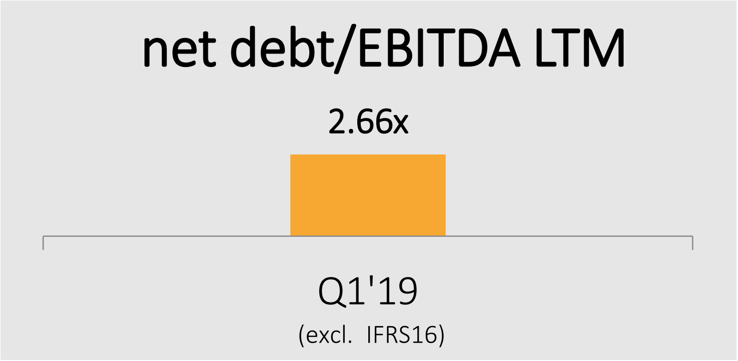
4. Financial results

Results of the Group in Q1’19







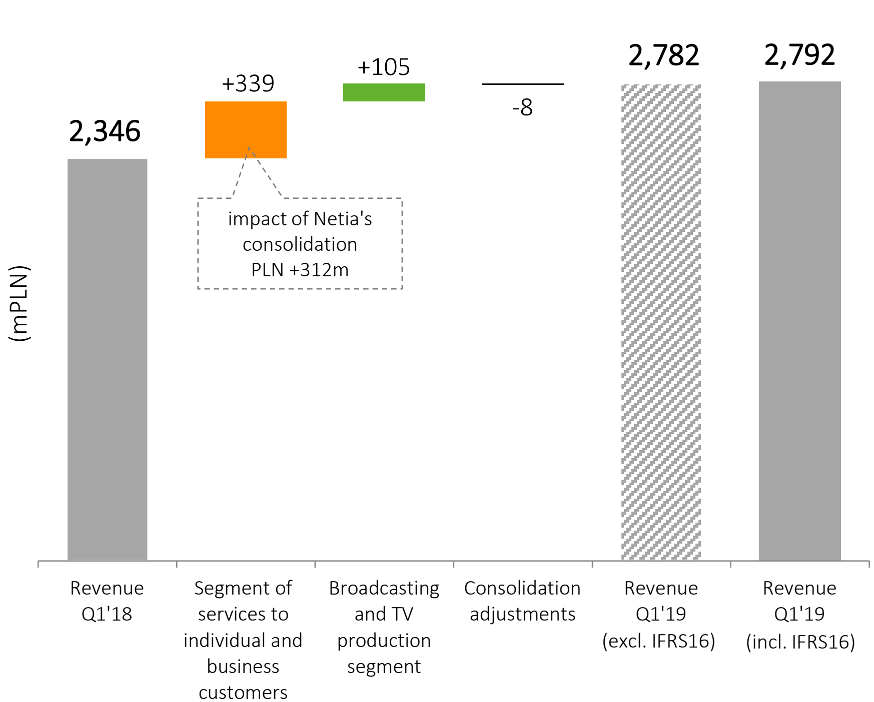


Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses

Revenue and EBITDA – change drivers

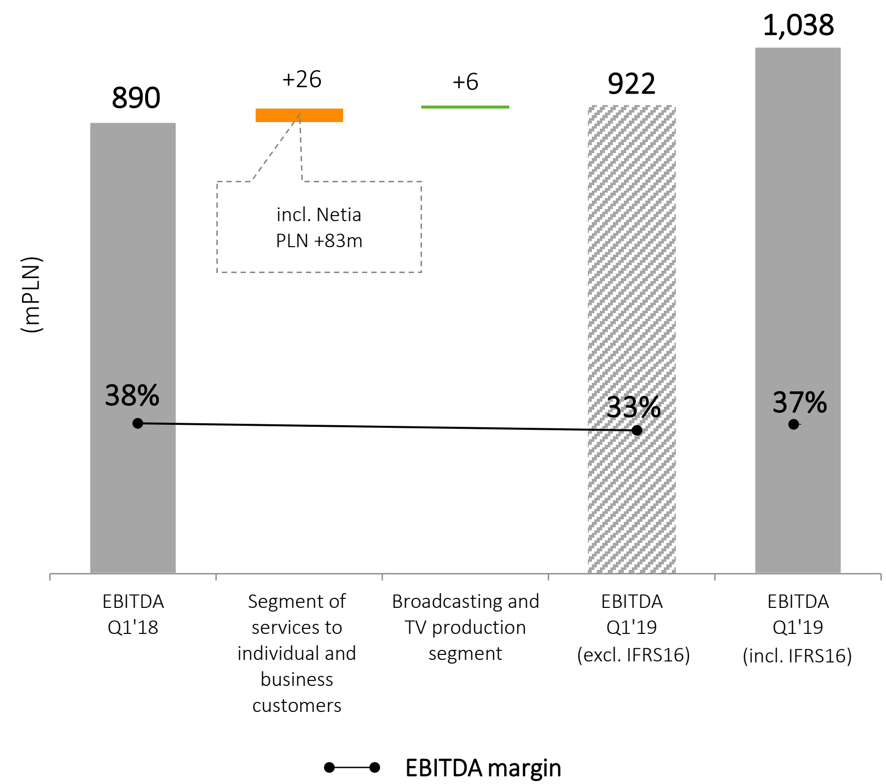
Revenue

YoY change	+19% +436m



EBITDA

YoY change	+4% +32m

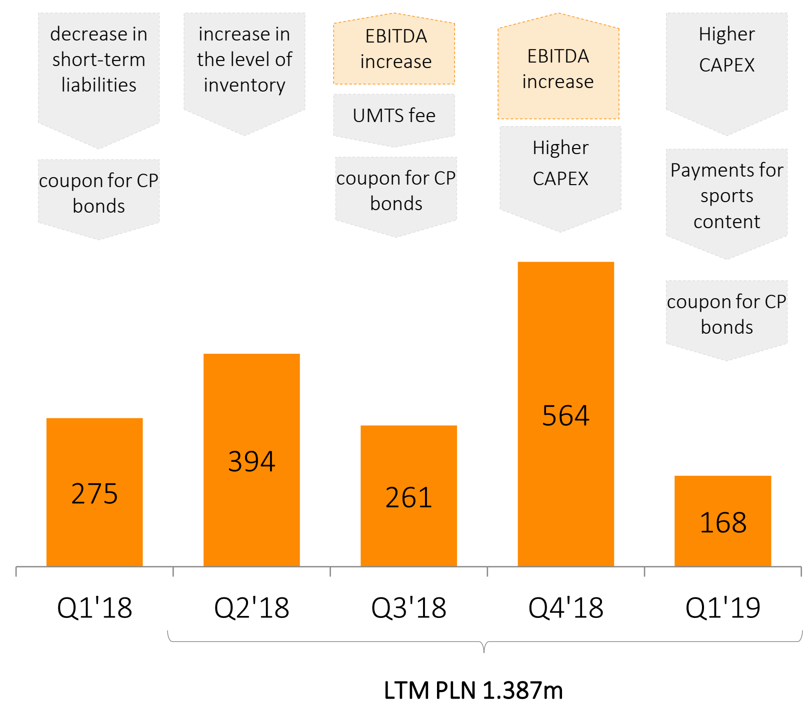


Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses
Note: consolidation of Netia S.A. from 22 May 2018

FCF impacted by settlement of investment from the end of 2018

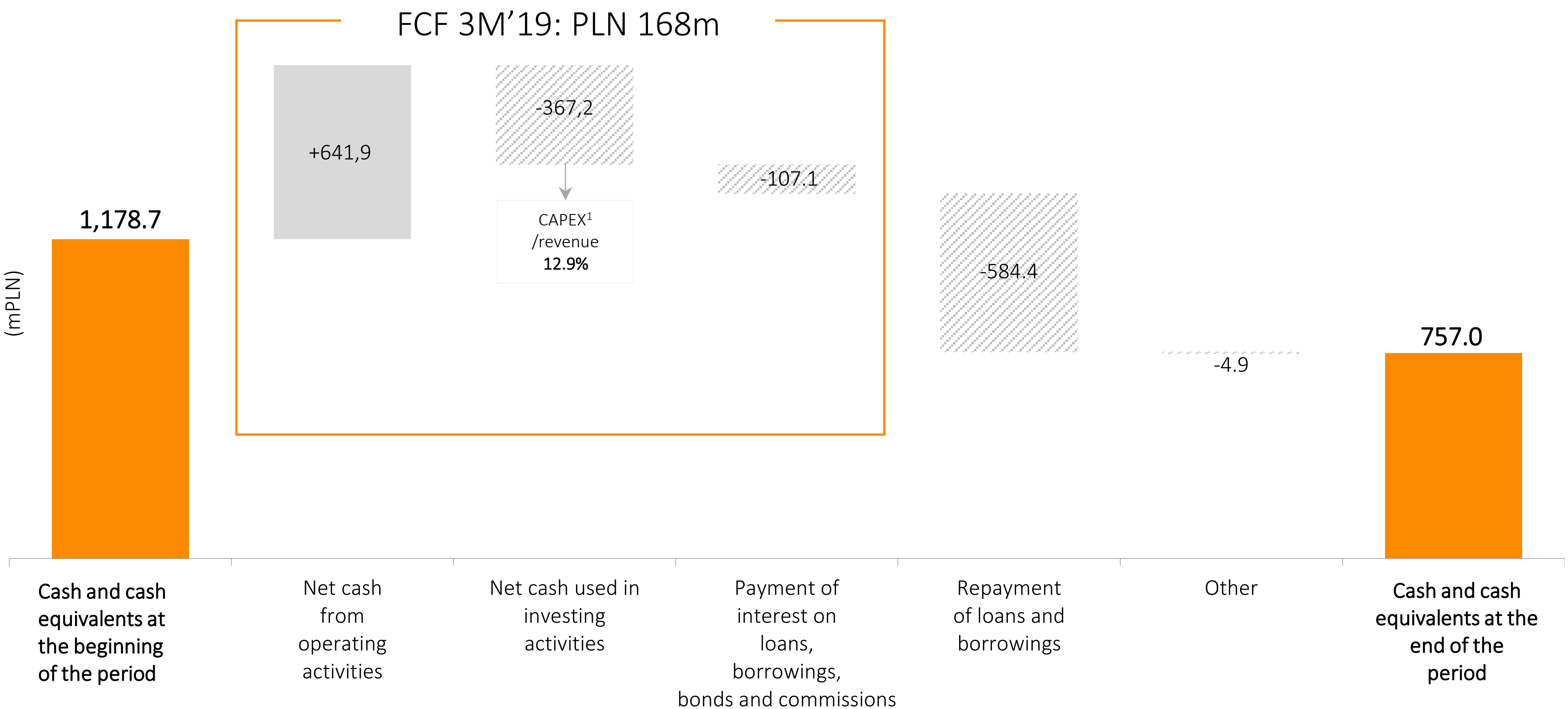
mPLN	Q1'19
Net cash from operating activities	642
Net cash used in investing activities	-367
Payment of interest on loans, borrowings, bonds, finance lease and commissions	-107
FCF after interest	**168**
Adjustments	-
Adjusted FCF after interest	**168**

Adjusted FCF after interest



Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses; FCF excl. IFRS16

In Q1'19, we repaid a total of PLN 584m of loans



Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses; FCF excl. IFRS16
Nota: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

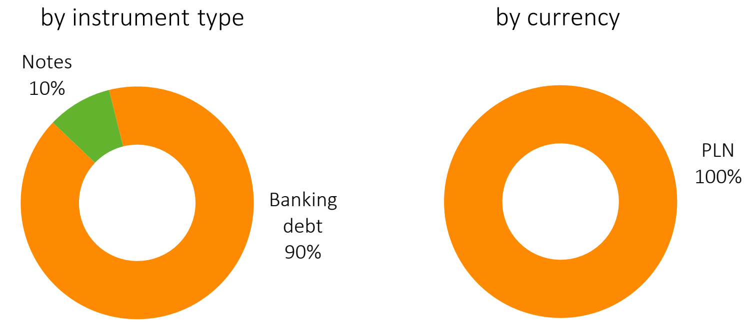
The Group's debt

mPLN	Carrying amount as at 31 March 2019 excl. IFRS16, in accordance with the requirements of the Combined SFA	Carrying amount as at 31 March 2019 incl. IFRS16
Combined Term Facility	9,350	9,350
Revolving Facility Loan	270	270
Series A Notes	1.007	1,007
Leasing and other	42	1,500
Gross debt	**10,669**	**12,127**
Cash and cash equivalents[1]	(757)	(757)
Net debt	**9,912**	**11,370**
EBITDA LTM	3,730[2]	3,846
Total net debt / EBITDA LTM	**2.66x**	**2.96x**
Weighted average interest cost[3]	3.3%	

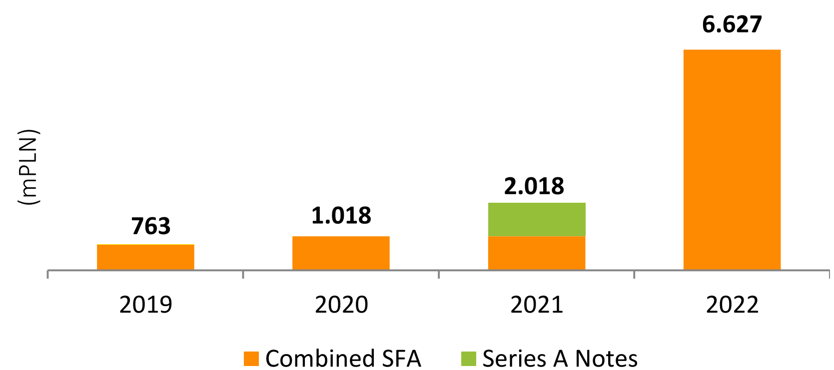
[1] This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
[2] In accordance with the requirements of the Combined SFA, the calculation excludes the impact from the implementation of IFRS 16 binding from January 1, 2019. The exclusion concerns both 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 31 March 2019 assuming WIBOR 1M of 1.64% and WIBOR 6M of 1.79%, excluding hedging instruments.
[4] Nominal value of the indebtedness as at 31 March 2019 (excluding the Revolving Facility Loan and leasing).

Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses

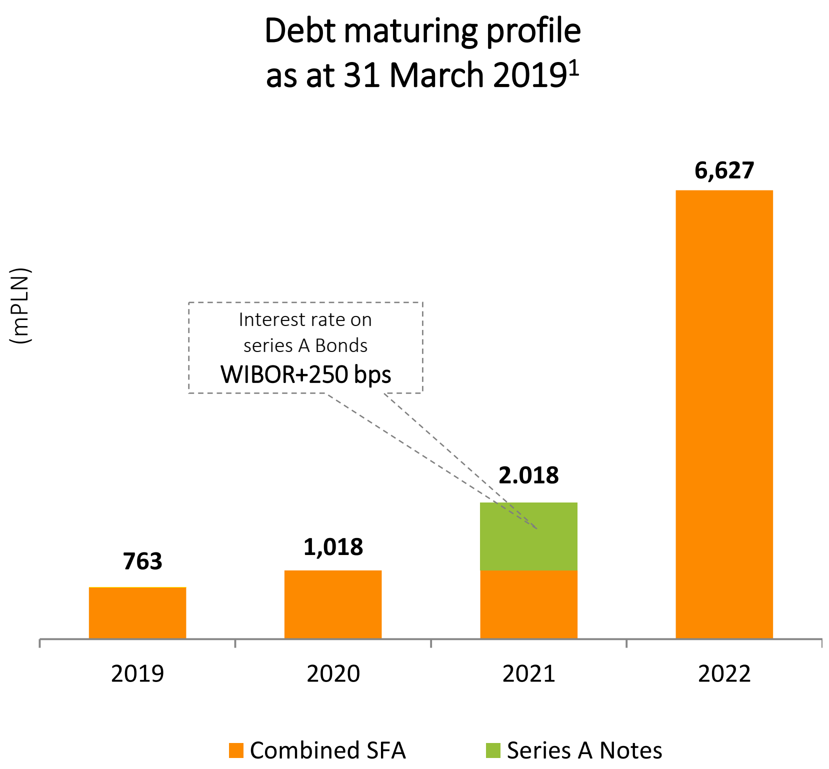
Debt structure[4]

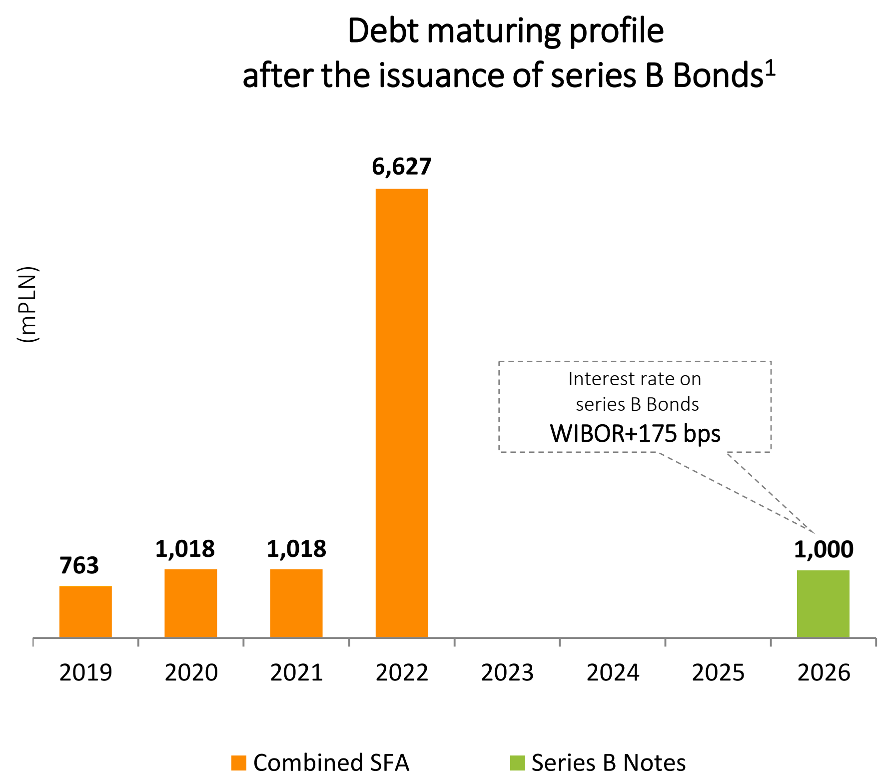


Debt maturing profile[4]



Refinancing ensured more favorable conditions and a longer maturity of our bonds





PLN 52.5m of savings on interest in the 7-year period

Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses
Note: (1) Nominal value of the indebtedness as at 31 March 2019 (excluding the Revolving Facility Loan and leasing).

5. Summary and Q&A

Summary

Excellent operational performance: ca. 300K new multiplay customers / record-low churn (7.2%) / more than 500K new services (RGU's) / ARPU growth (to PLN 82.9)

Solid financial performance reflected in the favorable terms of refinancing of Cyfrowy Polsat's bonds

Consistent strengthening of our multiplay strategy: TV/ Internet/ Phone. For everyone. Everywhere.

6. Additional information:
Financial results excl. IFRS16

Results of the segment of services to individual and business customers

Excluding IFRS16

mPLN	Q1’19	*YoY change*
Revenue	2,389	*17%*
Operating costs(1)	1,626	*25%*
EBITDA	781	*3%*
EBITDA margin	32.7%	*-4.1pp*

- 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 3-month period ended 31 March 2019 and internal analyses
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Results of the broadcasting and TV production segment

Excluding IFRS16

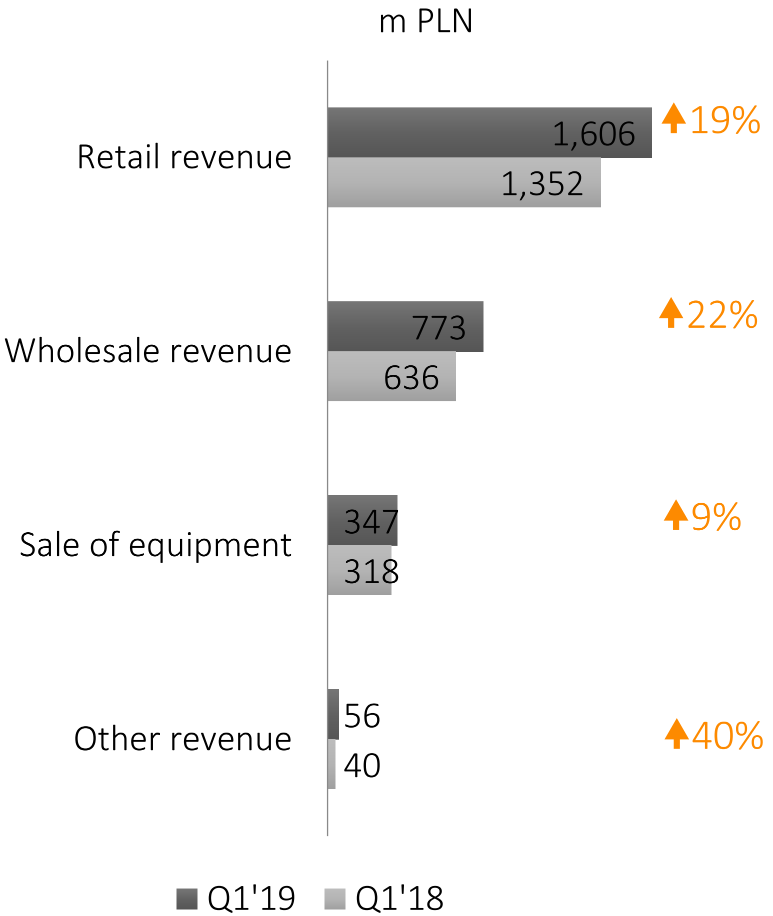
mPLN	Q1'19	*YoY change*
Revenue	455	*30%*
Operating costs[1]	312	*45%*
EBITDA	141	*4%*
EBITDA margin	31.0%	*-7.6pp*

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

Source: Consolidated financial statements for the 3-month period ended 31 March 2019 and internal analyses
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Revenue structure

Excluding IFRS16

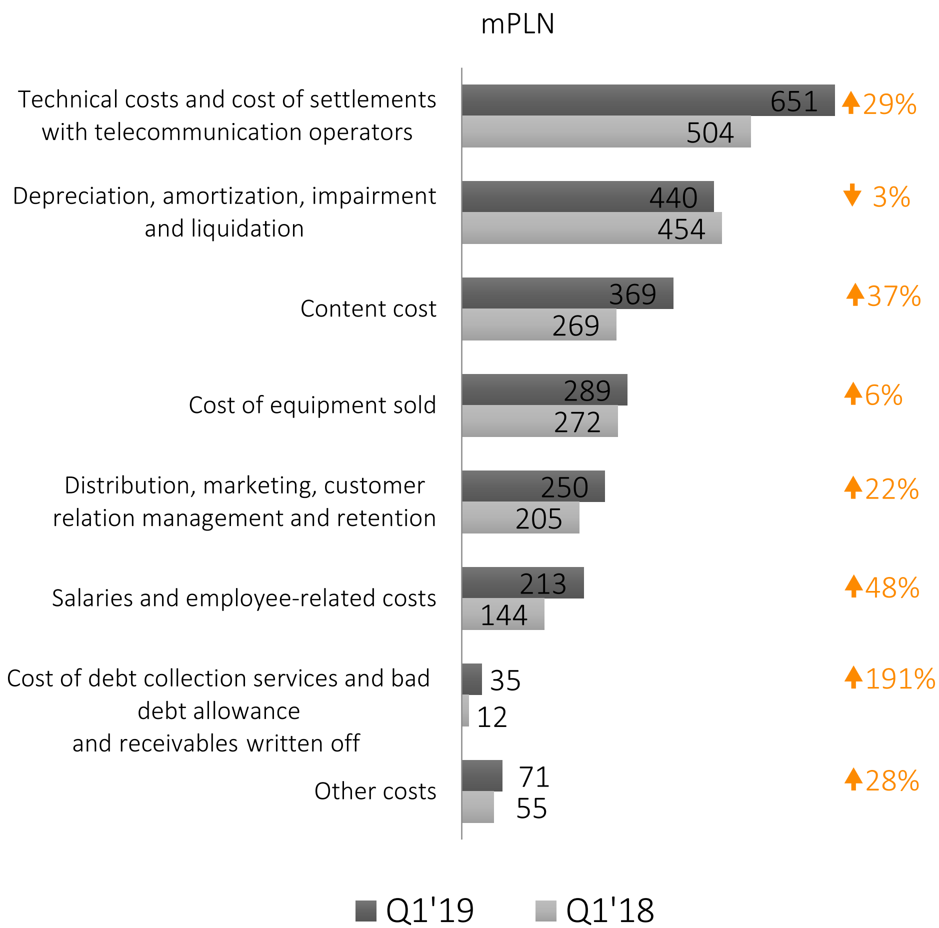


- The decrease of **retail revenue** was primarily due to the consolidation of Netia Group's results, effective May 22, 2018. Excluding the impact from the above mentioned factor, retail revenue decreased year on year by approx. 1% as lower revenue from voice services was compensated by higher revenue 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 15% 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 and higher revenue from reselling the capacity of our mobile network to MVNO customers.
- 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 3-month period ended 31 March 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. 5%. This increase resulted mainly from higher provisions for the cost of electricity and higher cost of traffic termination and transit.
- Increase in **content costs** was mostly the result of higher cost of internal and external production and amortization of sports rights due to, among others, the consolidation of the Eleven Sports Networks channels and the launch of the Polsat Sport Premium channels broadcasting, among others, football games of the UEFA Champions League and the UEFA Europa League. The consolidation of Netia Group's results was an additional factor contributing to the increase of content costs.
- Increase in **distribution, marketing, customer relation management and retention costs** was mainly due to the intensification of marketing campaigns for new services as well as the consolidation of Netia Group's results and the inclusion of marketing campaign costs of Eleven Sports Network channels.
- 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. Moreover, we recorded higher costs of employee trainings.

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

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