Financial results Q2 2017

24 August 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 in Q2’17
2. Operating results
3. Financial results
4. Summary and Q&A

1. Key events in Q2'17

Key events

Dividend payment in the amount of PLN 205m – PLN 0.32 per share

Acquisition of exclusive rights to UEFA Champions League and UEFA Europe League in the years 2018 – 2021 for all distribution channels – including television, Internet and mobile devices

Very good operating and financial results in Q2’17

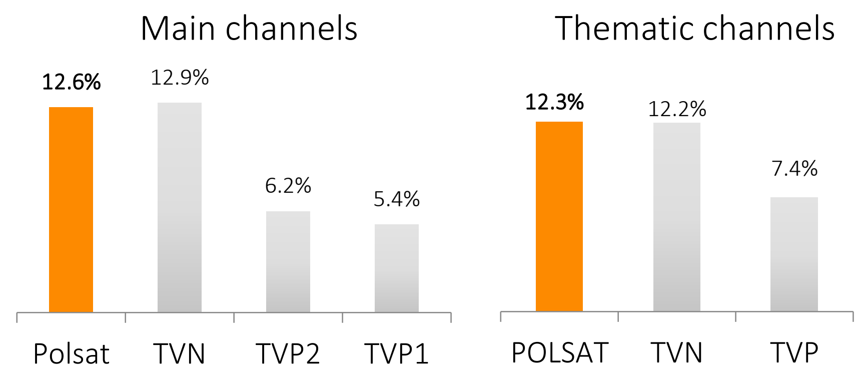
2. Operating results

2.1 Broadcasting and TV production segment

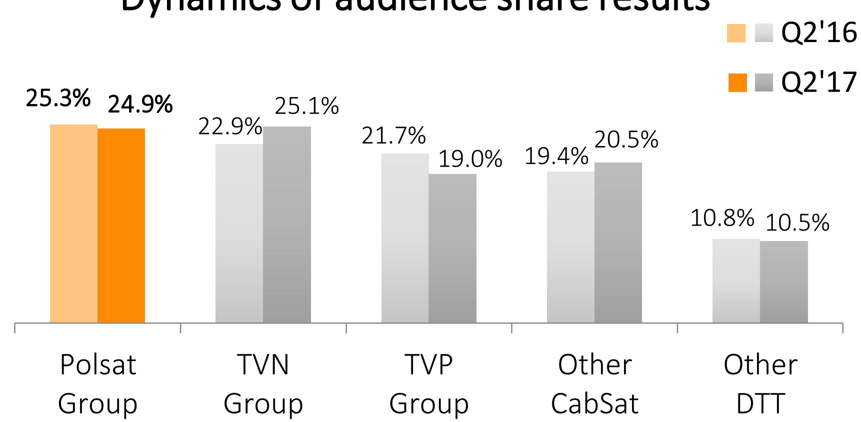
Viewership of our channels in Q2’17

- Viewership in line with the long-term strategy, in spite of the high base effect in 2016 related to the influence of UEFA EURO 2016

Audience shares



Dynamics of audience share results

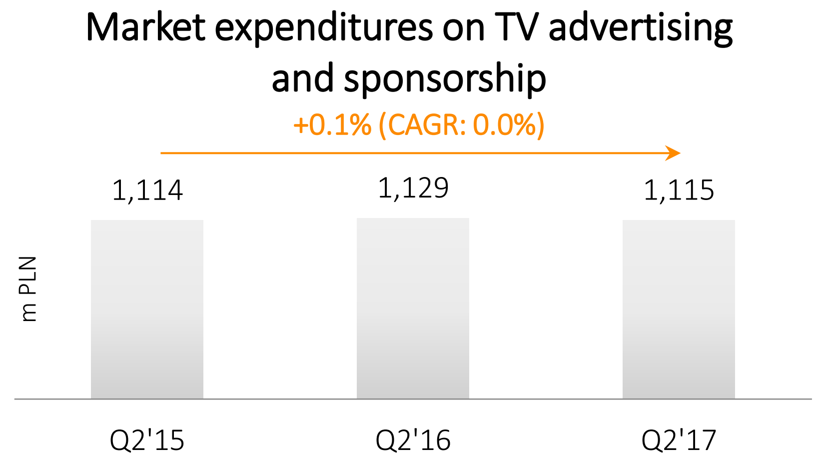


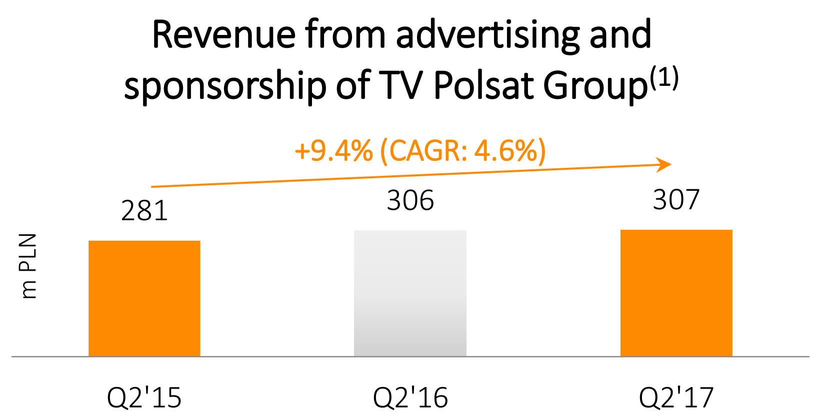
Source: NAM, All 16-49, all day, SHR%, including Live+2[1], internal analysis

Note 1: Audience shares that include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing - shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.)

Position on the advertising market in Q2'17

- Stable TV advertising and sponsorship market
- Despite the effect of a high base resulting from UEFA EURO 2016, YoY dynamics of revenue from TV advertising and sponsorship of TV Polsat Group was once again better than the market
- Our share in the TV advertising and sponsoring market increased to 27.6%

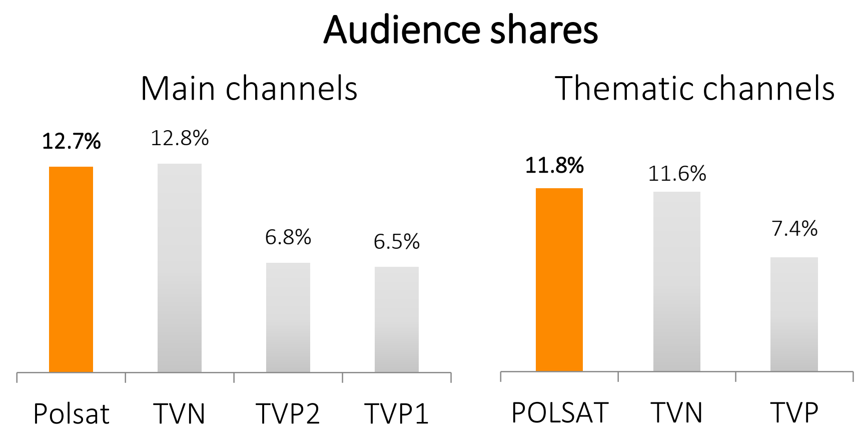


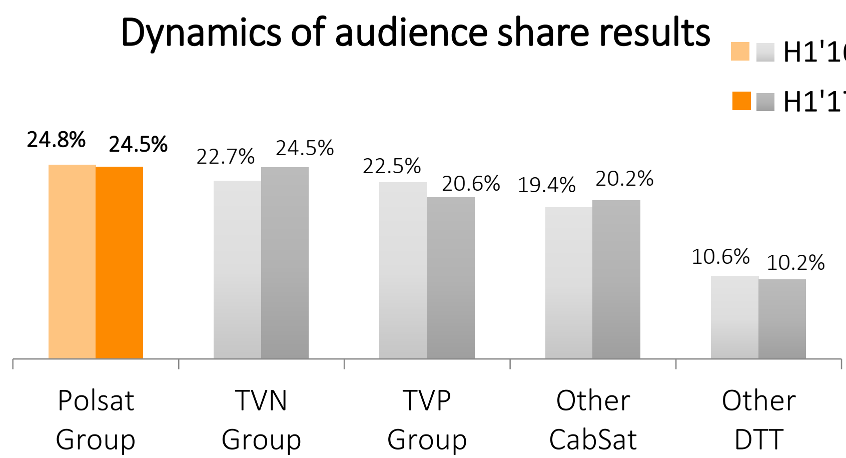


Source: Starcom, preliminary data, airtime and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

Viewership of our channels in H1’17

- Viewership in line with the long-term strategy



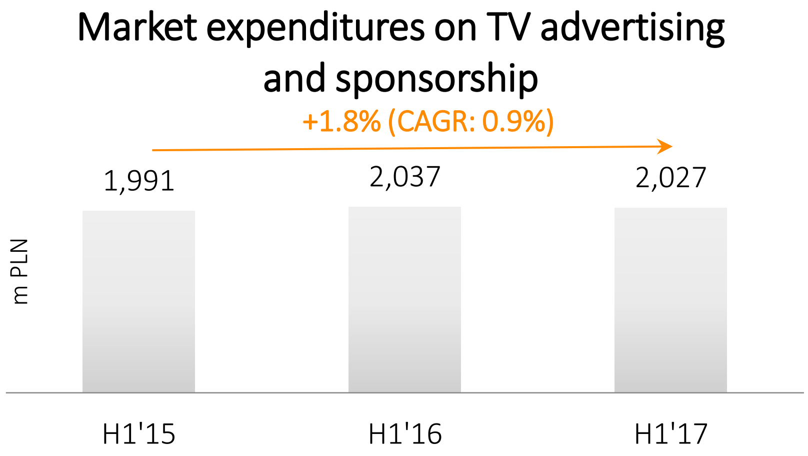


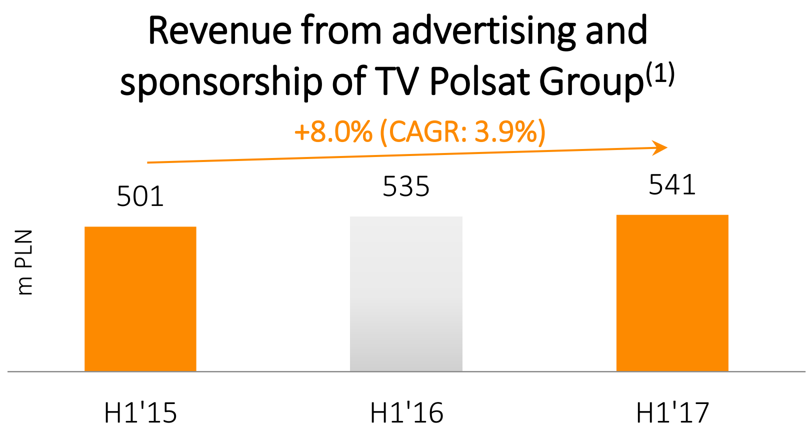
Source: NAM, All 16-49, all day, SHR%, including Live+2[1], internal analysis

Note 1: Audience shares that include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing - shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.)

Position on the advertising market in H1’17

- Stable TV advertising and sponsorship market
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising and sponsoring market increased to 26.7%





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

Financial results of the broadcasting and TV production segment

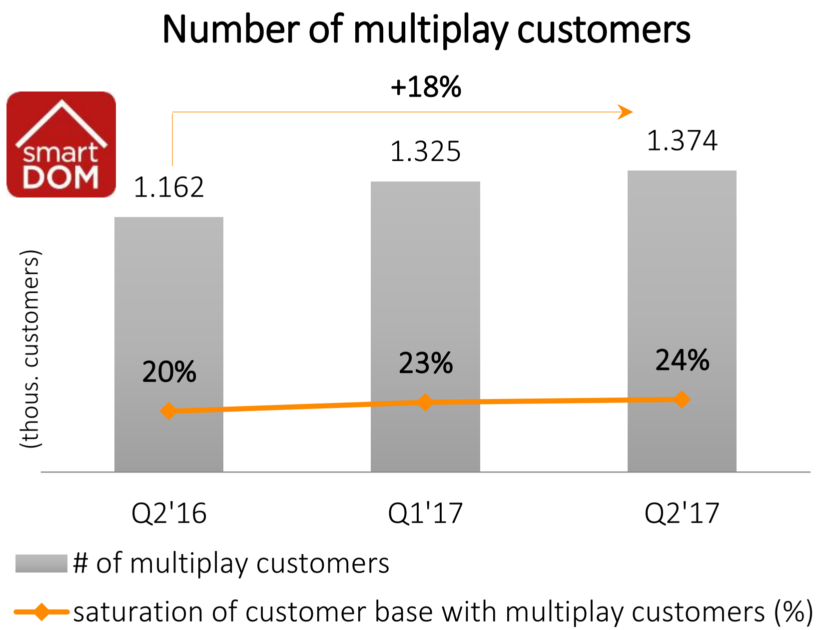
mPLN	Q2'15	Q2'16	Q2'17	*YoY change*	*Q2'17vs Q2'15*
Revenue	346	451	389	*-14%*	*12%*
Operating costs[1]	213	270	234	*-13%*	*10%*
EBITDA	134	181	155	*-14%*	*16%*
EBITDA margin	38.6%	40.1%	40.0%	*-0.1pp*	*1.4pp*

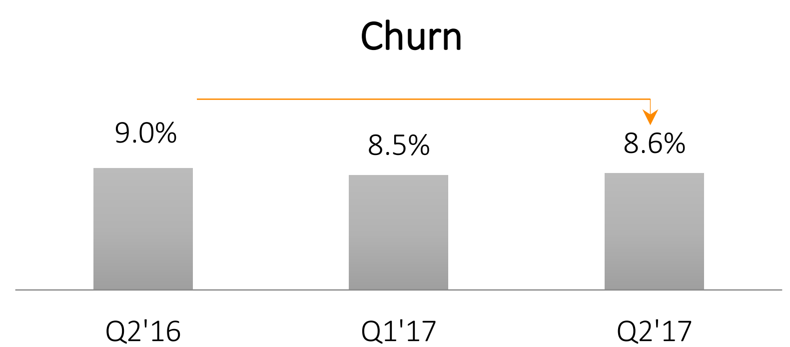
Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

2.2 Services to individual and business customers

Continuation of the multiplay strategy

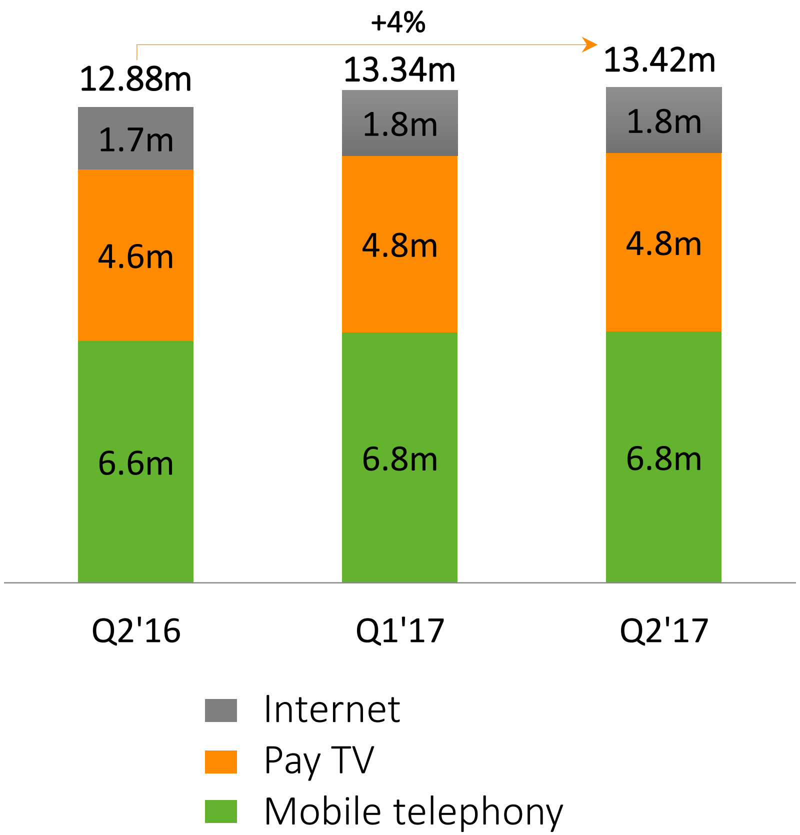
- Opening of the multiplay offer also for customers with low-end TV subscriptions (former „Mini" segment) is reflected in higher growth dynamics of the multiplay customer base
- The number of RGUs of smartDOM customers increased to 4.09m
- Low churn level, mainly thanks to our multiplay strategy





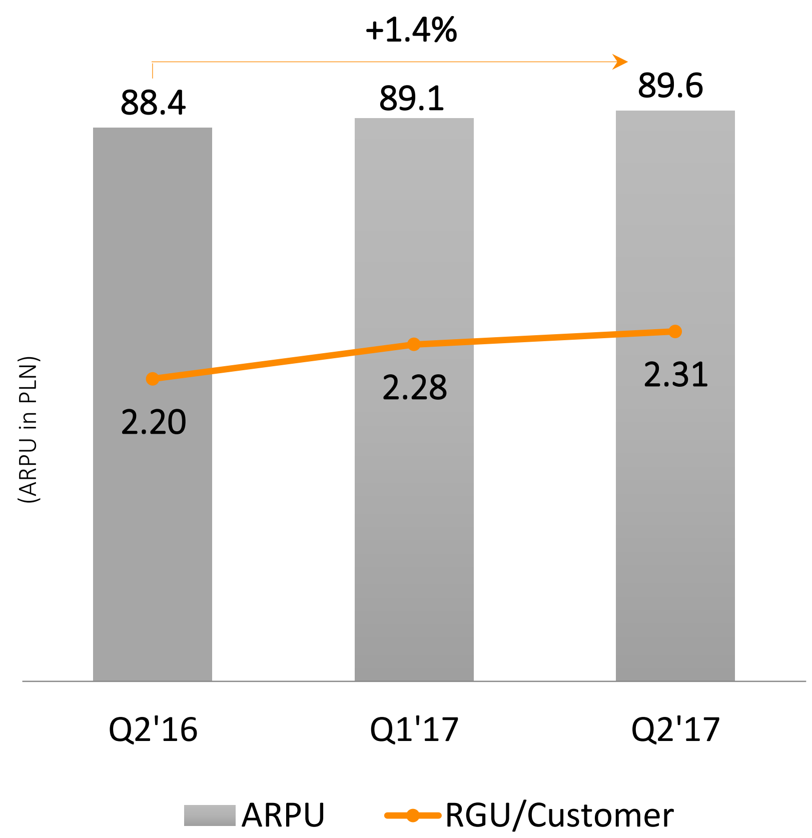
Stable growth in contract services

- Strong growth in the number of contract services by 539K YoY
- 252K 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 203K YoY (effect of multiroom and paid OTT)
- Further growth in Internet access RGUs by 84K YoY



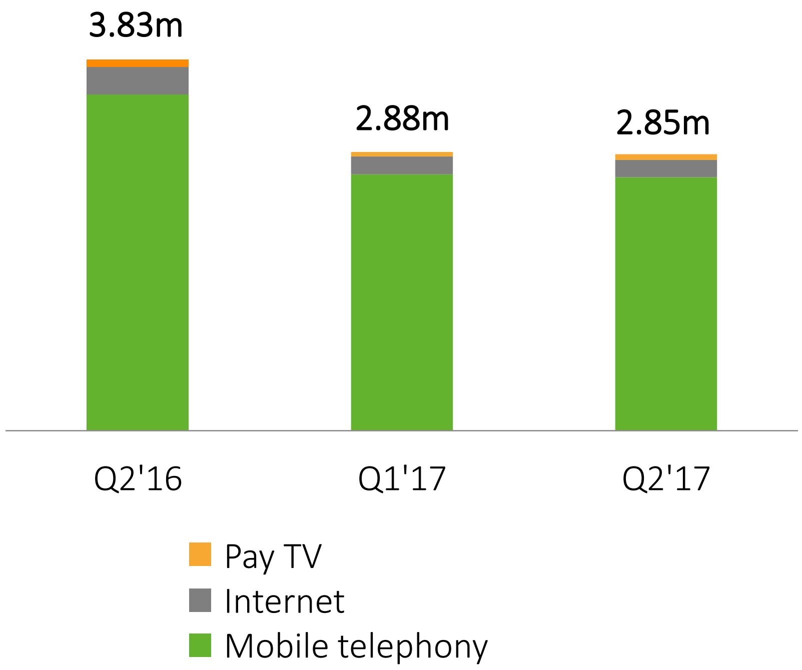
Effective building of ARPU

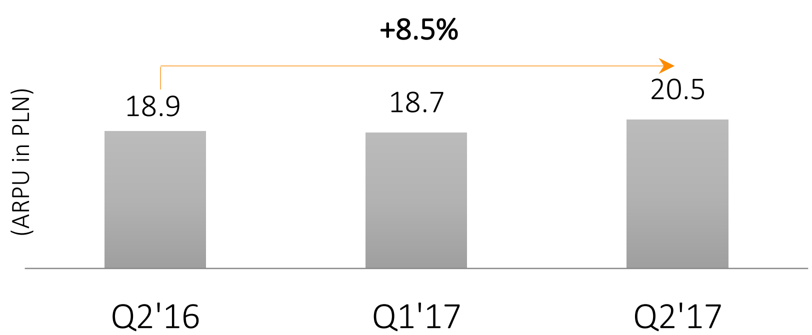
- Contract ARPU continues to grow as a result of the consistent strategy of building customer value, despite the high base effect related to UEFA EURO 2016
- Implementation of *Roam Like at Home* has slightly weakened the ARPU growth dynamics at the end of the second quarter
- Successful product up-selling reflected in the growth of saturation of RGUs per customer



Stabilization of prepaid base

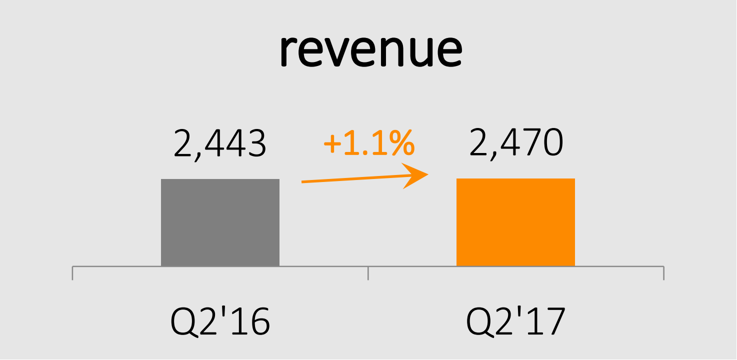
- Stable base of 2.9m services, reflecting the actual number of users
- Dynamically growing ARPU, resulting from the elimination of one-time use cards from the base and the expiration of registration promotions
- The *Roam Like at Home* regulation will be reflected in the ARPU of the prepaid segment

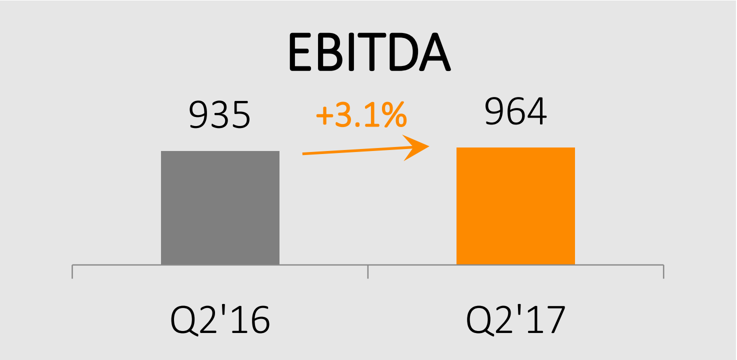


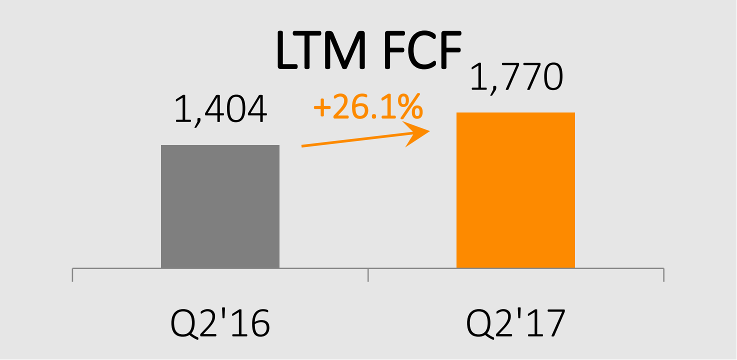


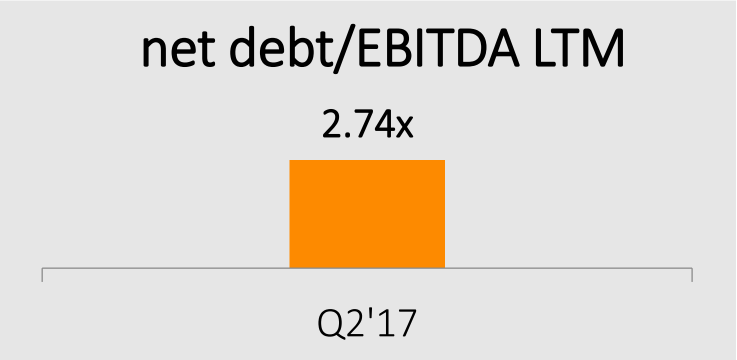
3. Financial results

Results of the Group







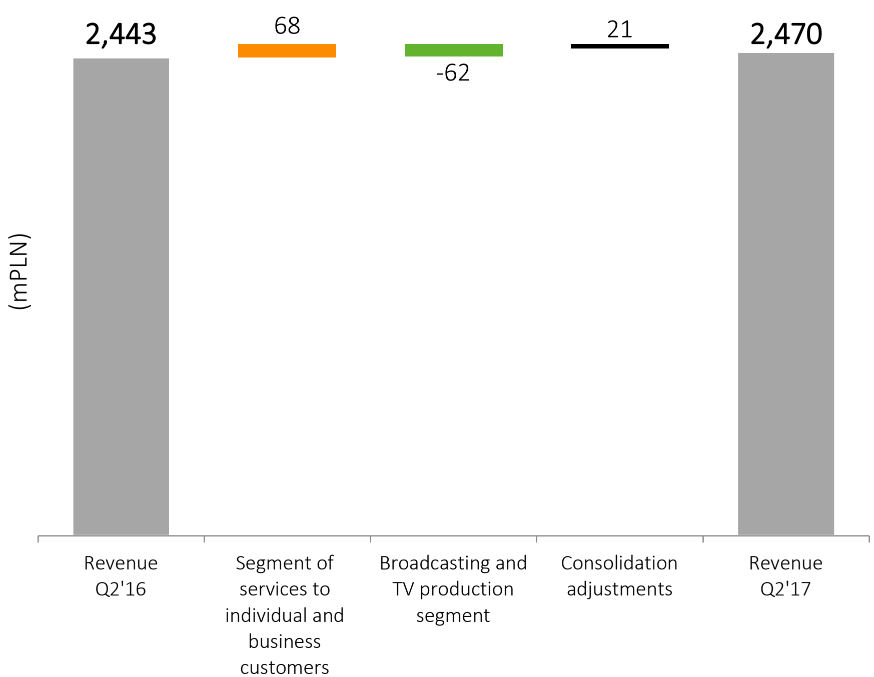


Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis

Revenue and EBITDA – change drivers

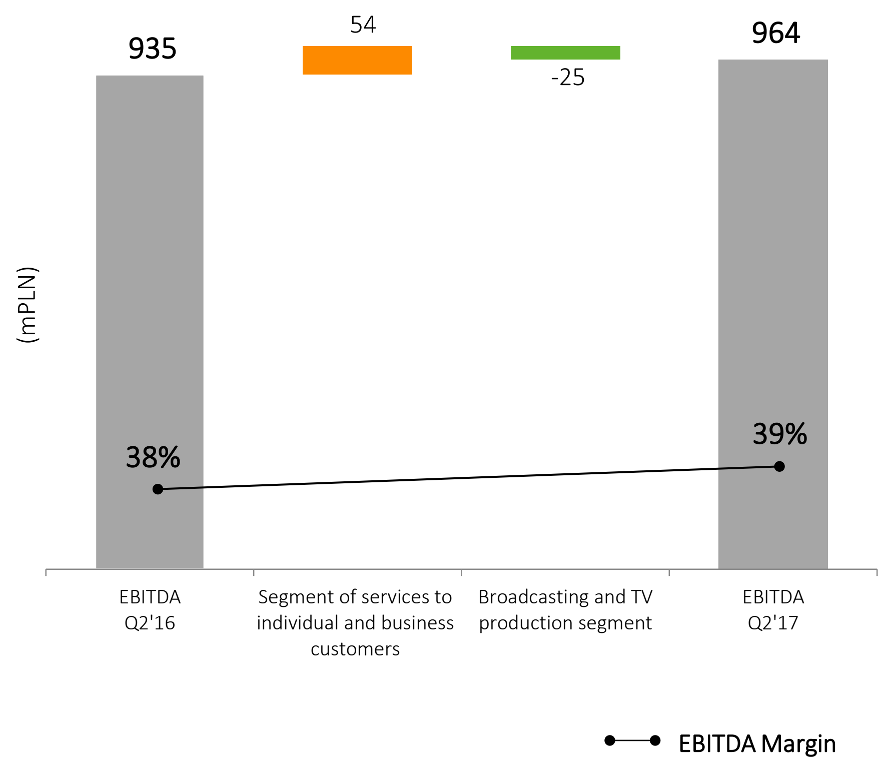
Revenue

YoY change **+1% +27m**



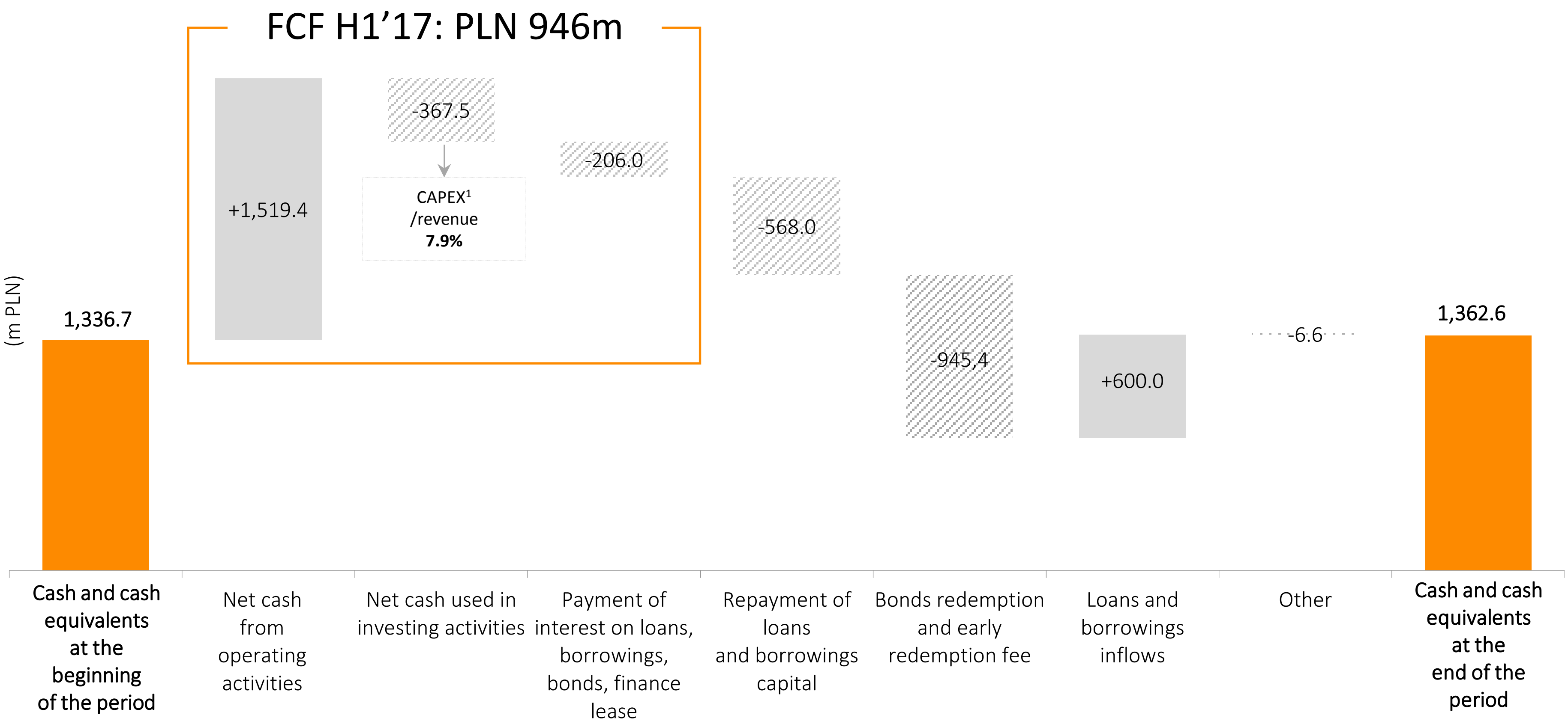
EBITDA

YoY change **+3% +29 m**



Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis

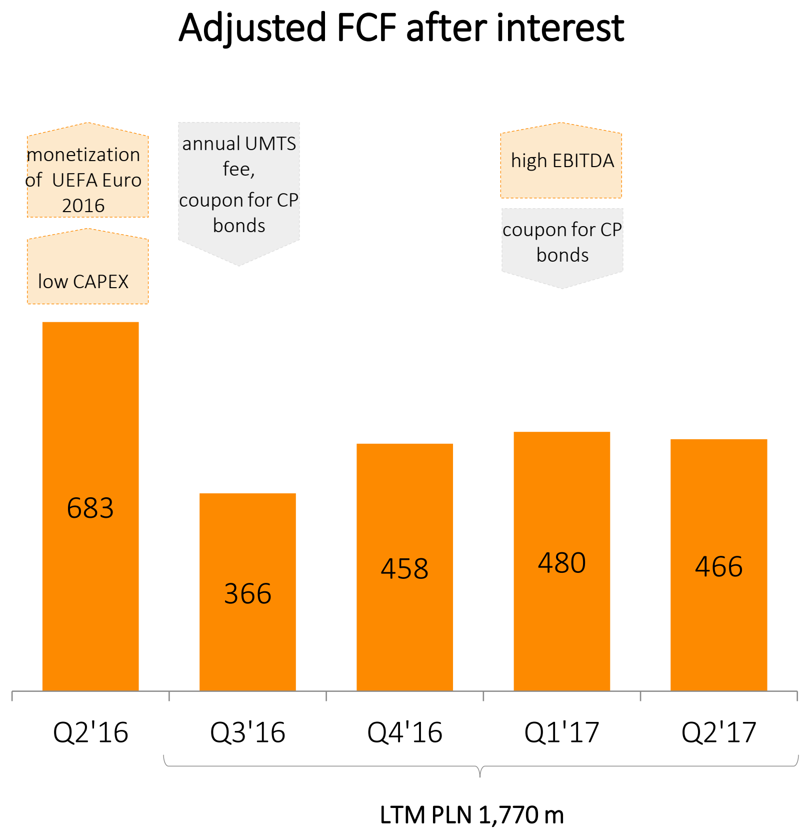
Cash flow statement in H1'17



Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis
Note: (1) Expenditures on the acquisition of property, plant and equipment and intangible assets

Clear stabilization of generated FCF

mPLN	Q2'17	H1'17
Net cash from operating activities	768	1.519
Net cash used in investing activities	-208	-368
Payment of interest on loans, borrowings and bonds	-94	-206
FCF after interest	**466**	**946**
no adjustments	-	-
Adjusted FCF after interest	**466**	**946**



Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis

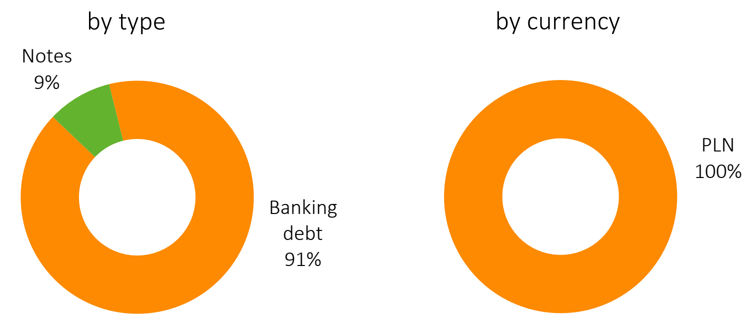
The Group's debt

mPLN	Carrying amount as at 30 June 2017
Combined Term Facility	10,115
Revolving Facility Loan	500
Series A Notes	1,018
Leasing and other	29
Gross debt	**11,661**
Cash and cash equivalents	(1,363)
Net debt	**10,299**
EBITDA LTM	3,753
Total net debt / EBITDA LTM	**2.74**
Weighted average interest cost[1]	3.3%

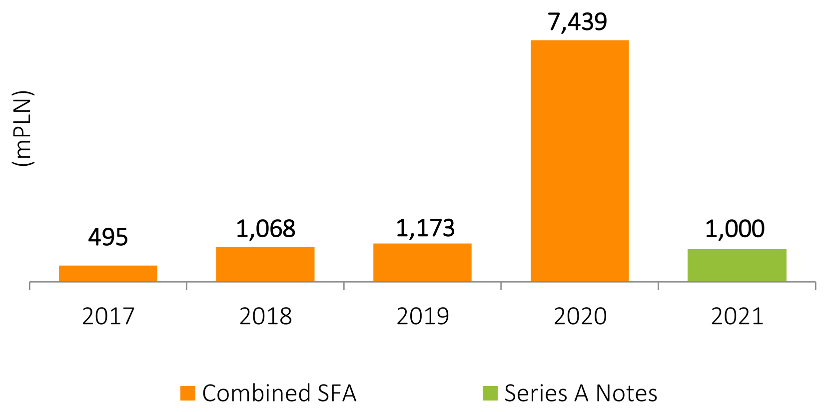
[1] Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments, as at June 30, 2017 assuming WIBOR 1M of 1.66% and WIBOR 6M of 1.81%

[2] Nominal value of the indebtedness as at 30 June 2017 (excluding the Revolving Facility Loan and leasing)

Debt structure[2]



Debt maturing profile[2]



Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis

4. Summary and Q&A

Summary

Very good operating performance in both business segments

Consistent execution of the financial policy – cost control and regular debt reduction

Strategic investments into content in order to build the value of the customer base in the years 2018-2021

5. Additional information

Results of the segment of services to individual and business customers

mPLN	Q2'17	*YoY change*
Revenue	2,140	*3%*
Operating costs(1)	1,342	*1%*
EBITDA	808	*7%*
EBITDA margin	37.8%	*1.4pp*

- Revenue level as a result of higher revenue from sales of equipment and higher wholesale revenue as well as lower retail revenue
- Cost level mainly affected by higher technical costs and IC settlements, distribution, marketing, customer relation management and retention and lower content costs

Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

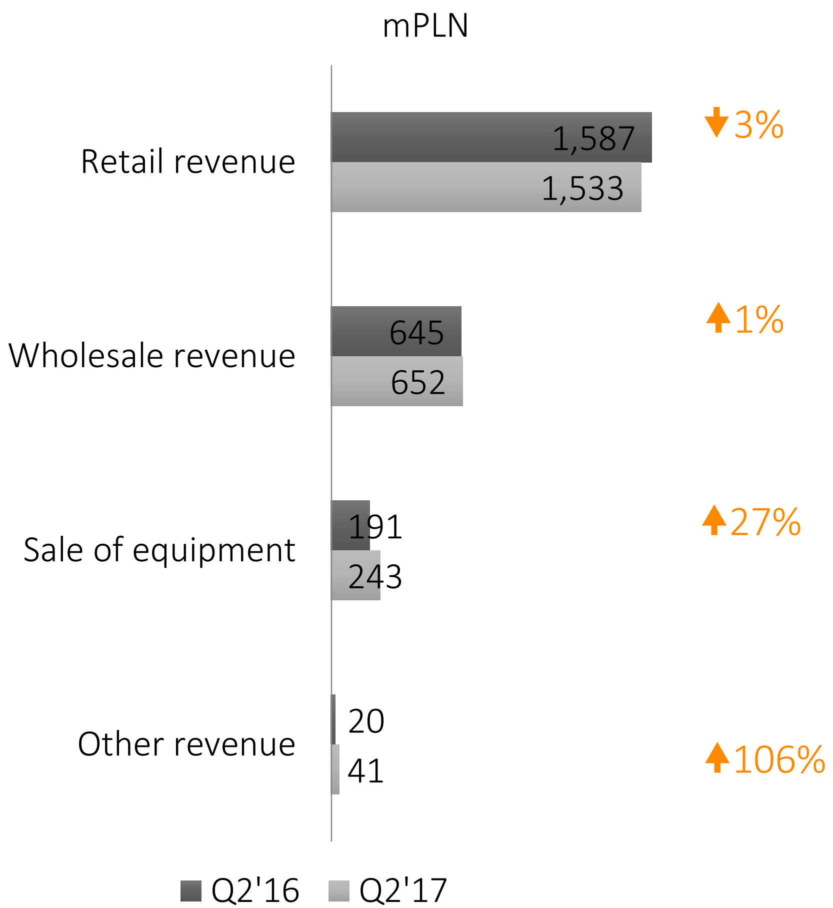
Results of the broadcasting and TV production segment

mPLN	Q2'17	*YoY change*
Revenue	389	*-14%*
Operating costs[1]	234	*-13%*
EBITDA	155	*-14%*
EBITDA margin	40.0%	*-0.1pp*

- Results of the segment under pressure from the high base effect resulting from the financial success of UEFA EURO 2016 broadcast by TV Polsat in Q2'16

Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

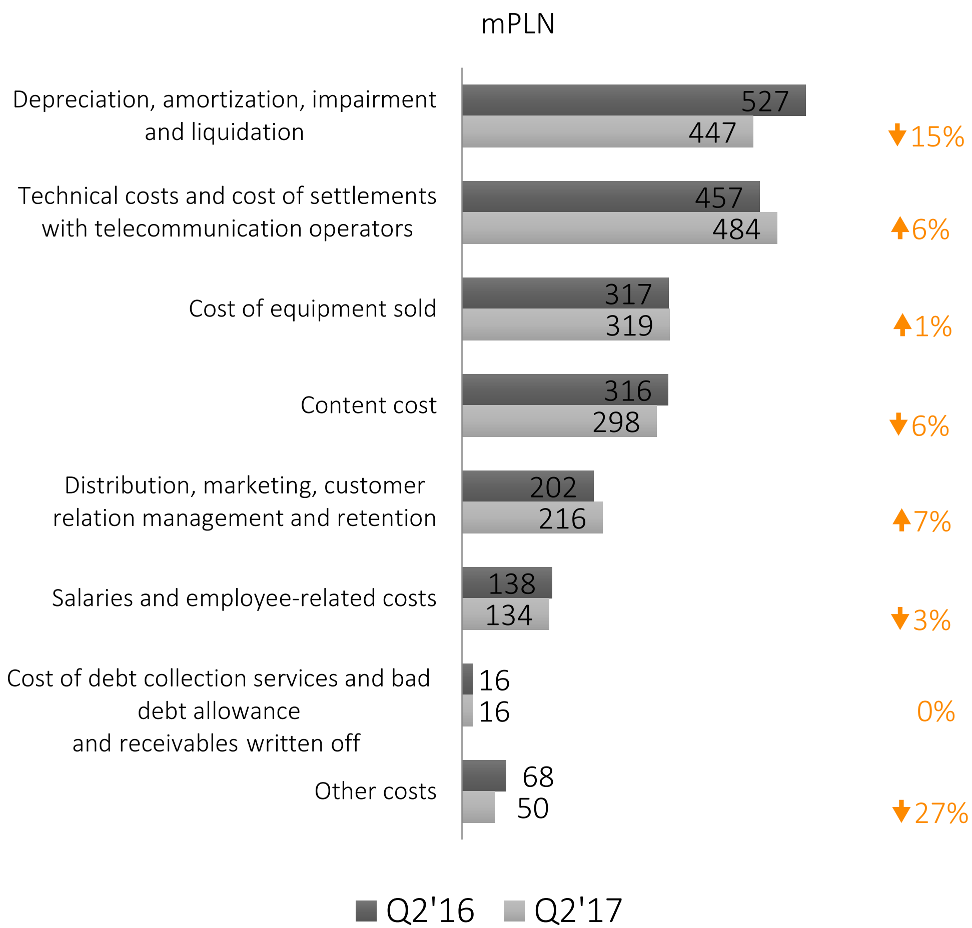
Revenue structure



- Decrease of revenue from voice services (mainly due to the change in the model of offering equipment to residential customers, a lower number of prepaid activations, which is related to the statutory obligation of prepaid SIM registration and the resulting elimination of one-time use SIM cards from the base, as well as the high level of competitiveness on the telecommunications market) partially compensated by higher revenue from pay TV services and Internet access services and data services
- Increase in wholesale revenue primarily as a result of growing revenue from IC settlements. Dynamic of growth of wholesale revenue was distorted to a significant extent by the effect of a high base in the comparative period, as in Q2'16 this item comprised additional revenue related to the multichannel monetization of sports rights to the EURO UEFA 2016 tournament
- Higher revenue from sale of equipment, mainly due to the growing share of installment plan sales of equipment, as well as to the customers' increased preference for more advanced and expensive devices

Source: Consolidated financial statements for the 6 month period ended 30 June 2017 and internal analysis

Operating costs structure



- Decrease in amortization costs among others due to the termination of the amortization period of certain intangible and legal assets, acquired alongside Polkomtel in 2014, as well as lower costs of depreciation of the telecommunications infrastructure which is connected with the termination of the depreciation period of selected elements of this infrastructure
- Technical costs resulted from higher IC costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks and higher costs related to the wholesale purchase of traffic in international roaming
- Lower content costs are due primarily to the high base effect – higher costs of sports licenses and internal production were recognized in the comparative period in connection with the broadcasting of UEFA EURO 2016 – and was partially offset by higher costs of programming licenses connected with the expansion of the programming packages chosen by our pay TV customers
- Higher distribution, marketing, customer relation management and retention costs among others due to the recognition of higher marketing costs and higher costs of customer service and retention, which is associated with an increase in per hour rates resulting from an upward pressure on wages on the Polish labor market

Source: Consolidated financial statements for the 6 month period ended 30 June 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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