Financial results
Q2 2018

23 August 2018

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 Q2'18
2. Operating results
3. Financial results
4. Summary and Q&A

1. Key events in Q2'18

Key events

Acquisition of control over Netia
Start of operational cooperation

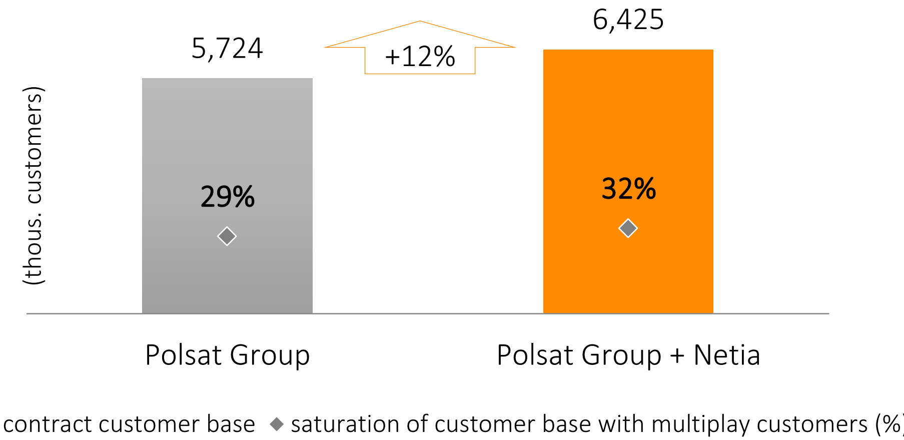
Polsat TV takes control over the Polish subsidiary of Eleven Sports Network

UEFA Champions League in Polsat Group’s offering

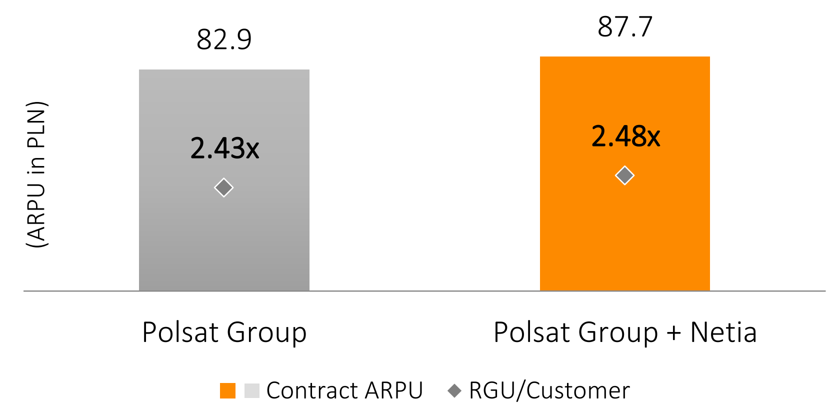
Acquisition of Netia strengthens our multiplay strategy

- Over 700K new customers mean increased potential for sales of services
- Only 32% customers of a combined base use multiplay services
- An increase in the number of B2B customers translates into an increase in ARPU

Contract customer base and multiplay penetration



Contract ARPU (IFRS 15)

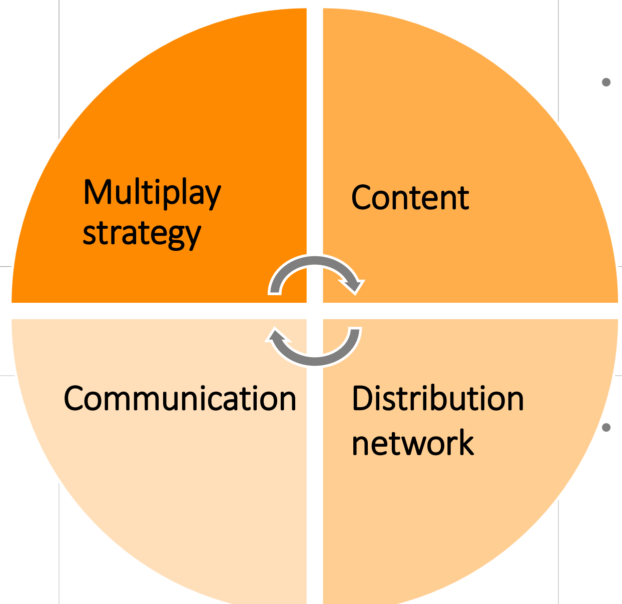


Source: initial own estimates, data may be subject to adjustments

Strategic initiatives initiated after taking control over Netia

- Fiber optic Internet up to 900 Mb/s extends our smartDOM offering
- SmartDOM to be offered to Netia customers soon

- Netia’s starter package enriched with TV Polsat programs. 30 channels added in total
- Polsat Sport Premium channels (Champions League and Europa League matches) available to Netia’s customers at an attractive price



- Netia’s new communication platform based on attractive content and high speed Internet
- The SmartDOM communication platform expanded by the addition of Netia’s fiber optic Internet up to 900 Mb/s

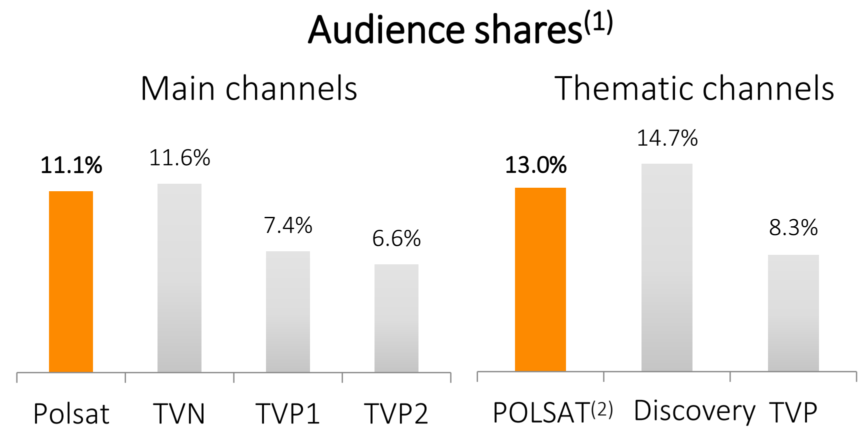
- Netia's offering to be soon available in over 300 sales points of Polsat Group

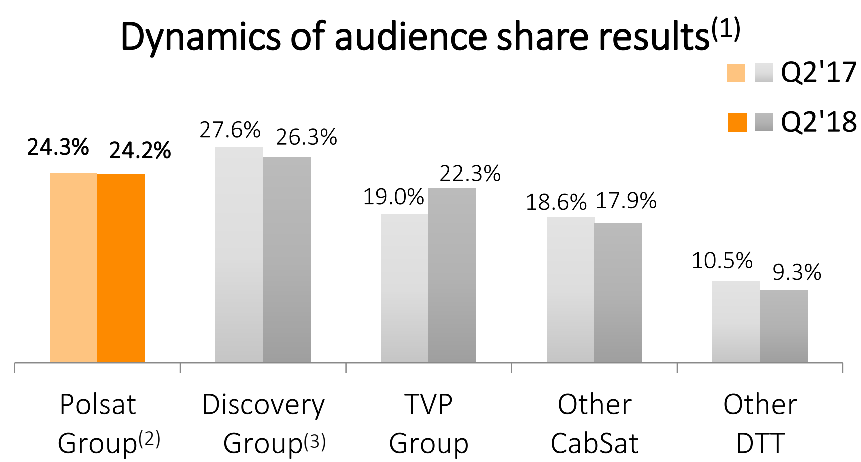
2. Operating results

2.1 Broadcasting and TV production segment

Viewership of our channels in Q2’18

- Polsat Group’s viewership in line with its strategy despite the temporary impact of The FIFA World Cup 2018





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)

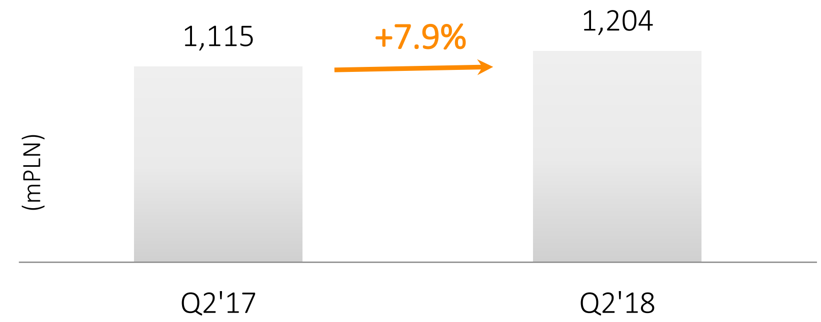
(2) Including Eleven channels (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

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

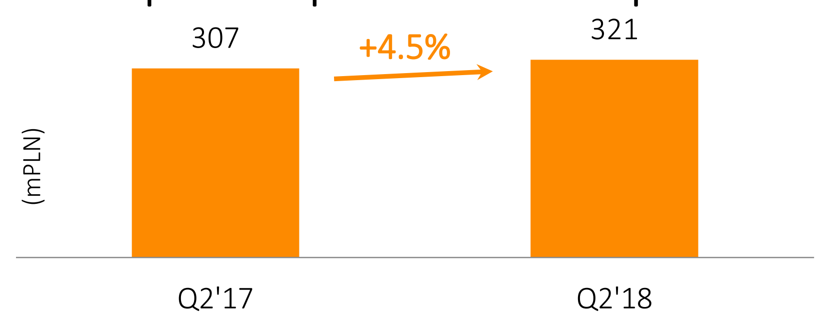
Position on the advertising market in Q2'18

- Revenue from TV advertising and sponsorship generated by Polsat Group grew by 4.5% while the market – benefiting from the effect of The FIFA World Cup – grew by 7.9% YoY
- As a result, our share in the TV advertising and sponsorship market reached 26.7%

Market expenditures on TV advertising and sponsorship



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

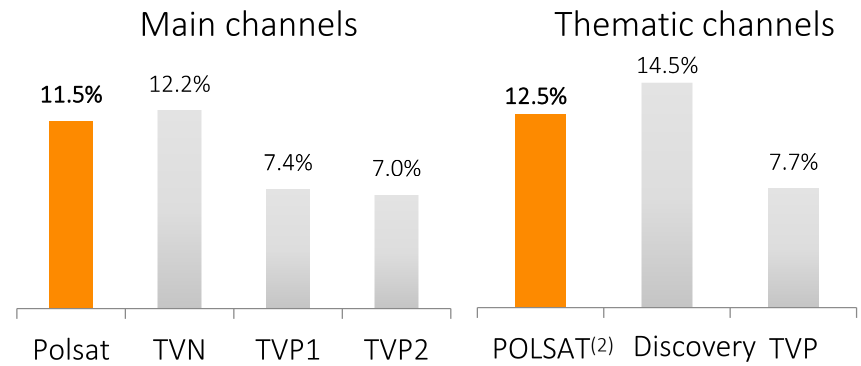


Source: Starcom, preliminary data, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

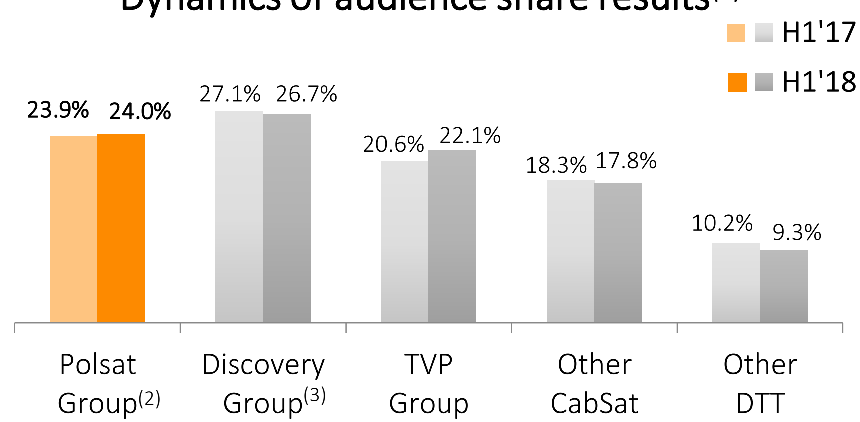
Viewership of our channels in H1’18

- Polsat Group’s viewership in line with its strategy

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)

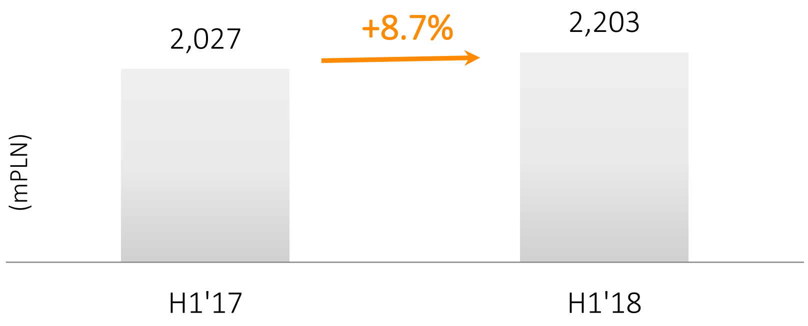
(2) Including Eleven channels (from June 2018), excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat

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

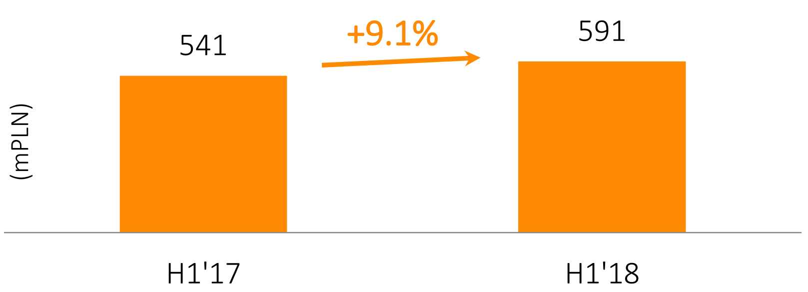
Position on the advertising market in H1'18

- Revenue from TV advertising and sponsorship generated by Polsat Group grew by 9.1% while the market grew by 8.7% YoY
- Dynamic growth of revenues of Polsat Group supported by the fast achievement of synergies announced at the time of the acquisition of the new TV channels
- As a result, our share in the TV advertising and sponsorship market increased to 26.8%

Market expenditures on TV advertising and sponsorship



Revenue from advertising and sponsorship of TV Polsat Group[1]



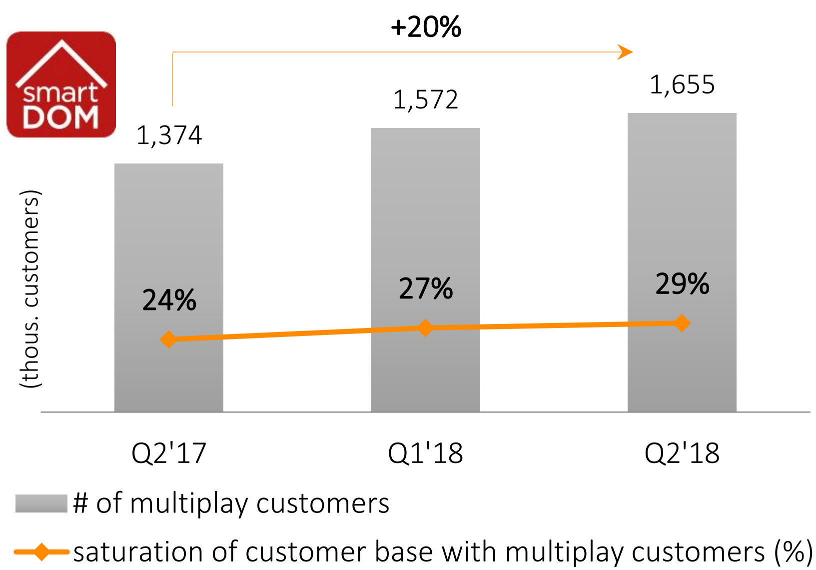
Source: Starcom, preliminary data, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

2.2 Services to individual and business customers

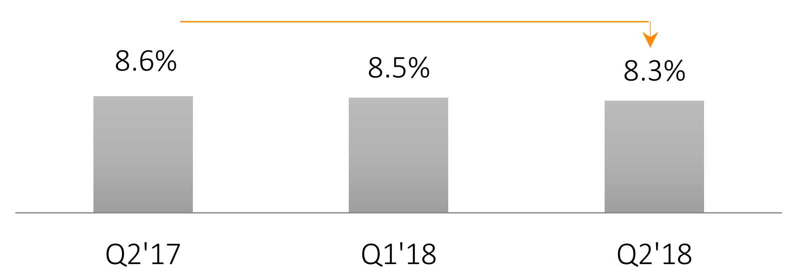
The fast pace of building the multiplay base is reflected in the low level of churn

- Consistent implementation of the multiplay strategy results in a stable increase in the number of customers of bundled services by 281K YoY
- The number of RGUs owned by these customers increased to 4.94m
- Low, stable churn, mainly due to our multiplay strategy

Number of multiplay customers

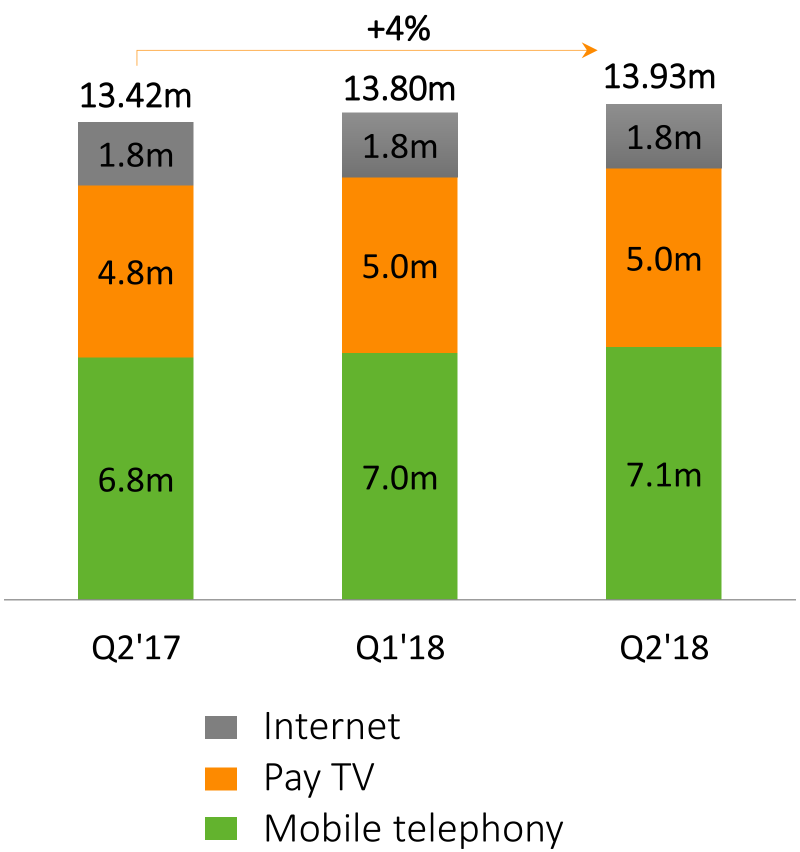


Churn



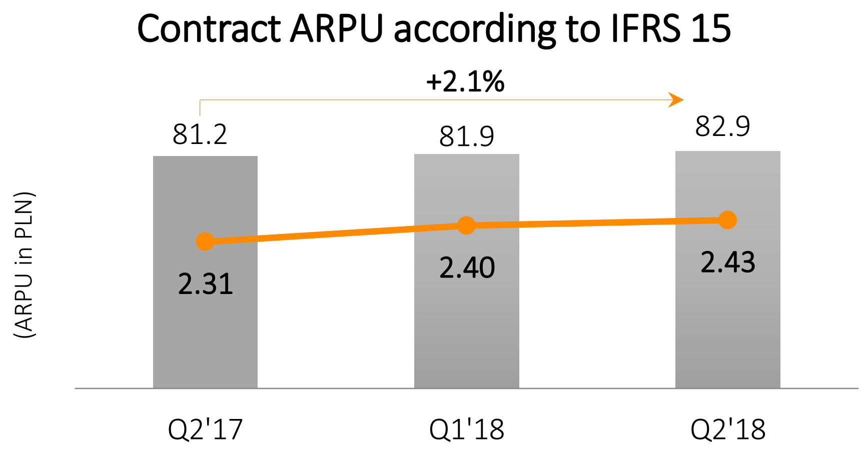
Stable growth in contract services

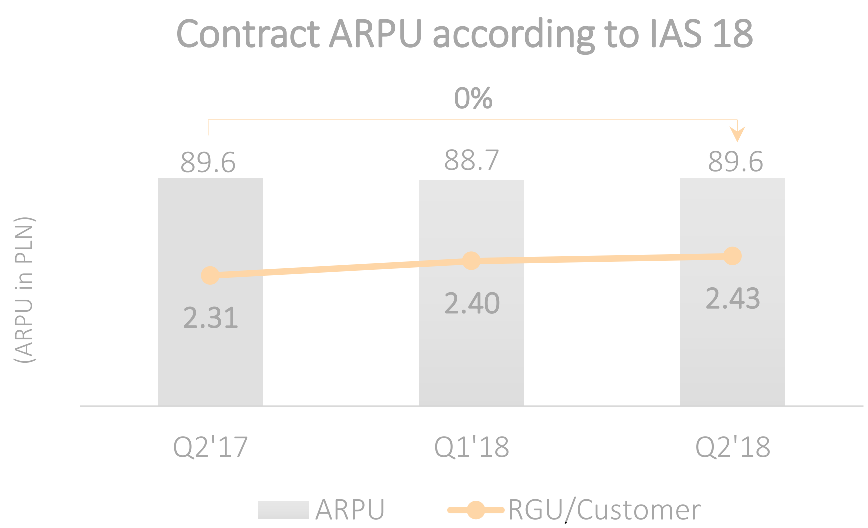
- Increase in the number of contract services by 510K YoY
- 287K additional contracts for voice services (YoY) thanks to the positive effect of our multiplay strategy and the new, simple tariffs launched by Plus in February 2018, supported by good sales in the B2B segment (m2m)
- Pay TV RGUs increased by 192K YoY (multiroom and paid OTT effect)
- Further growth in Internet access RGUs by 31K YoY



ARPU growth in spite of RLAH regulation

- ARPU increase by 2.1% YoY[1] despite the negative impact of the RLAH regulation
- Effective upselling of products under our multiplay strategy continues to be reflected in the growing RGU saturation per customer ratio

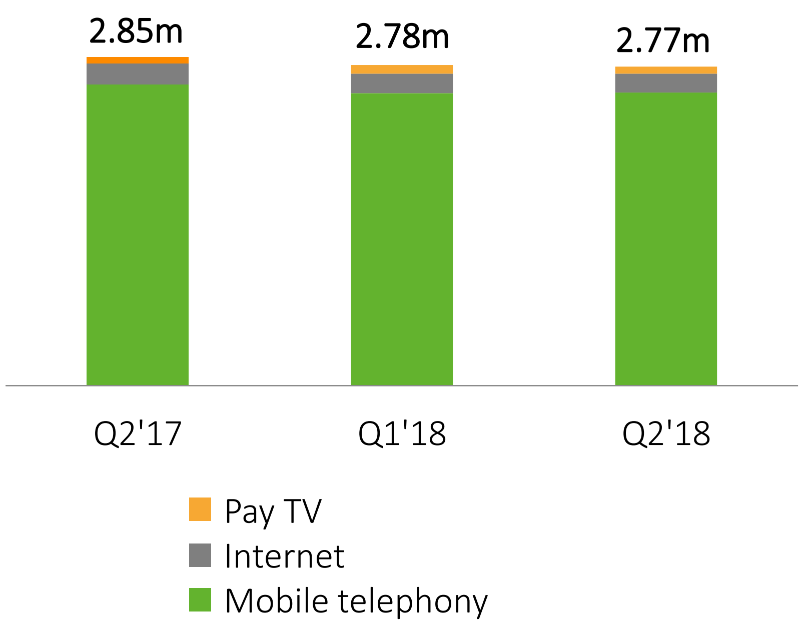


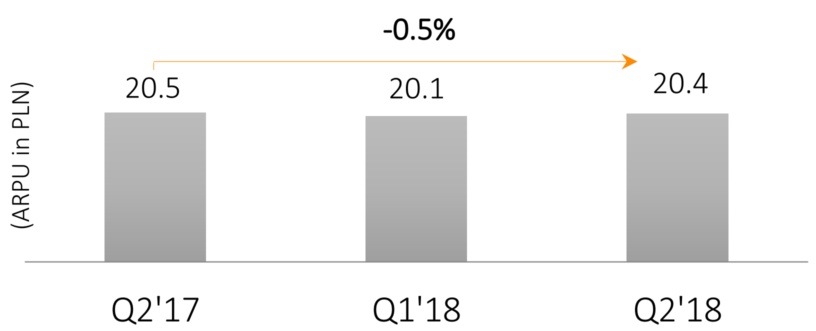


Nota: (1) ARPU calculated according to applicable accounting standard IFRS 15

High ARPU, stable prepaid base

- Stable prepaid base of 2.8m services, reflecting the actual number of users of prepaid services
- High and stable level of ARPU

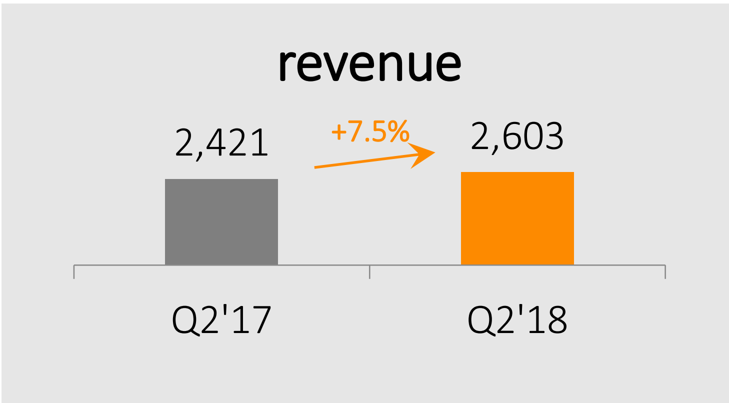


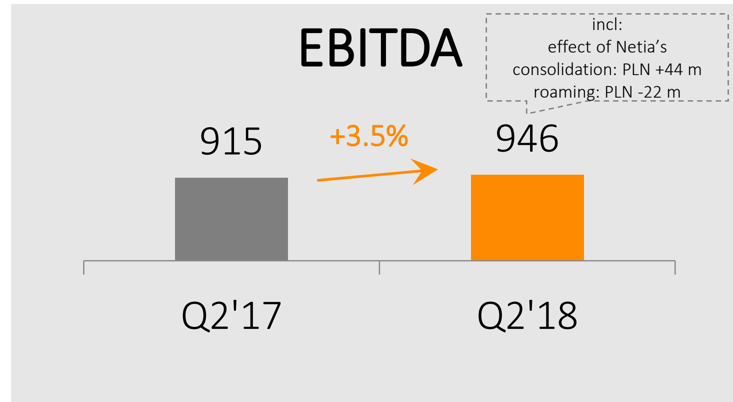


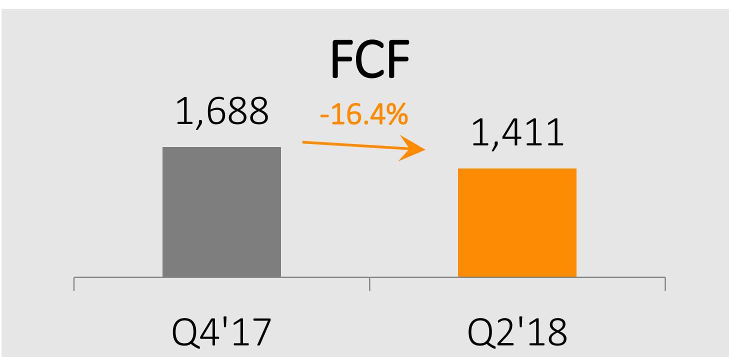
3. Financial results

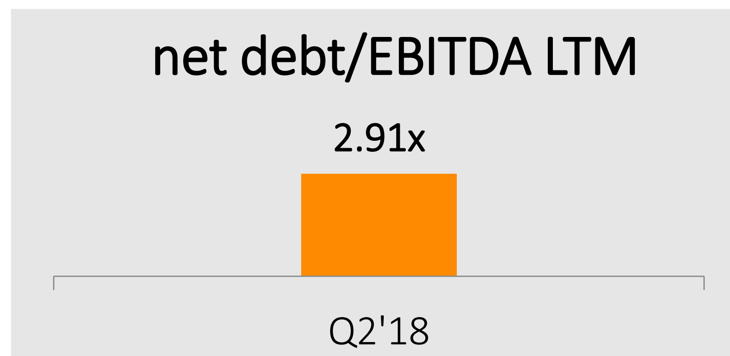
Results of the Group in Q2’18

Based on currently applicable IFRS 15 standard and incl. Netia Group’s results









Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and own estimates relating to Q2’17

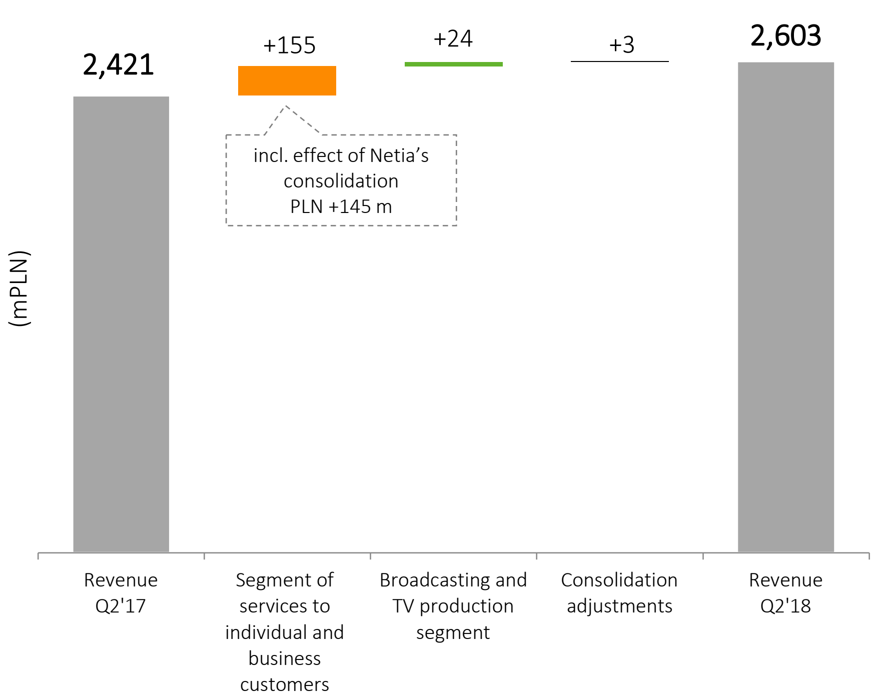
Note: Netia S.A. consolidated as of May 22, 2018

Revenue and EBITDA – change drivers

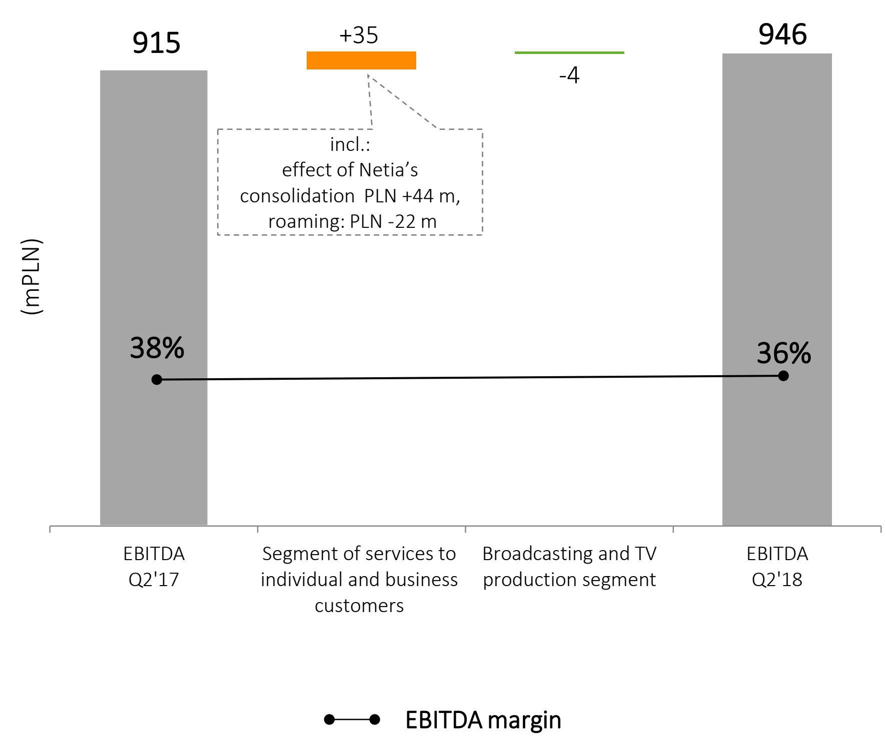
Based on currently applicable IFRS 15 standard and incl. Netia Group's results

Revenue

YoY change	+8% +182m

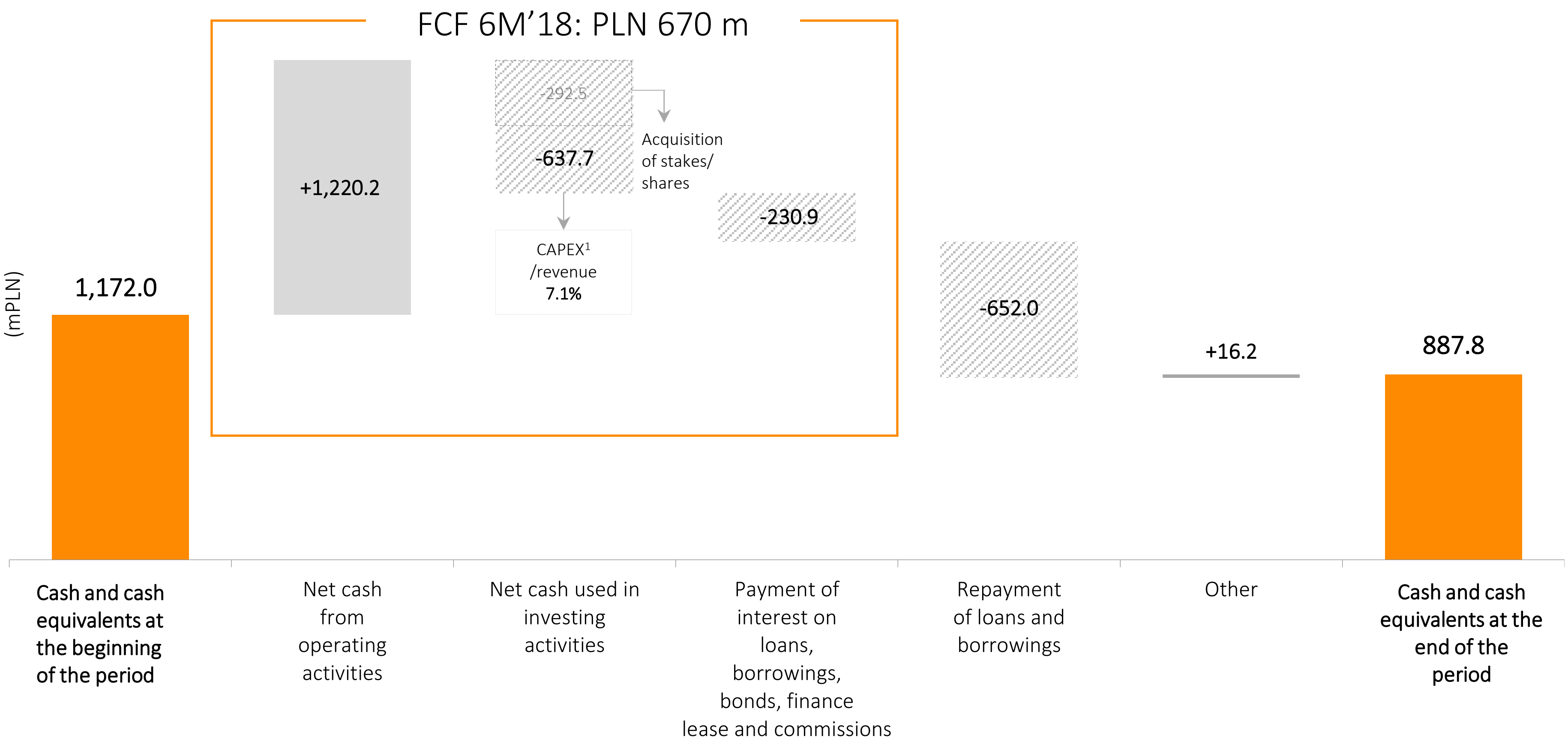


YoY change	+3% +31m



Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and own estimates relating to Q2'17
Note: Netia S.A. consolidated as of May 22, 2018

Cash flow statement in 6M’18

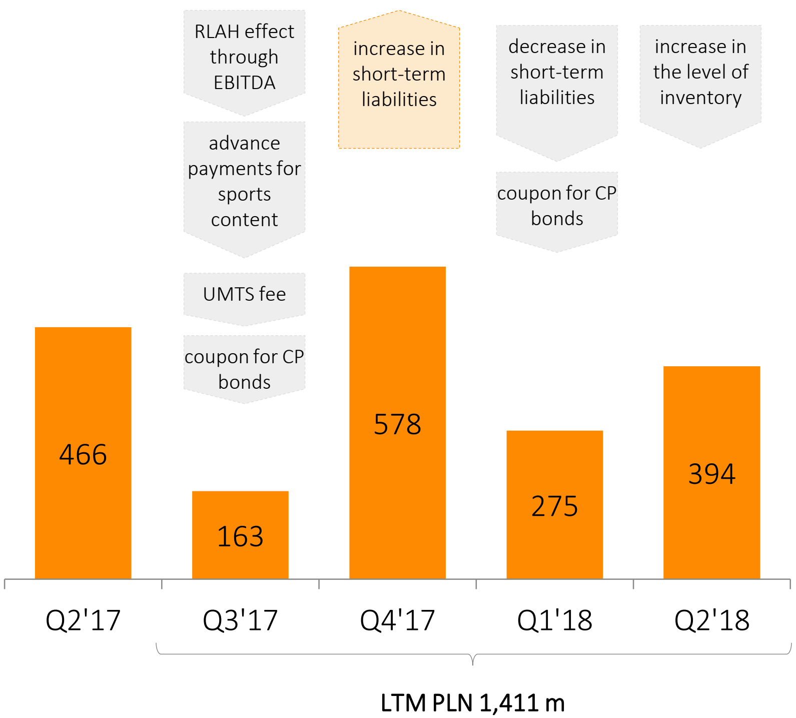


Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses
Note: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

FCF – result in line with expectations

mPLN	Q2'18	H1'18
Net cash from operating activities	650	1,220
Net cash used in investing activities	-382	-638
Payment of interest on loans, borrowings, bonds, finance lease and commissions	-93	-231
FCF after interest	**175**	**352**
Acquisition of stakes/shares	265	293
Investment funds outflows/inflows, net	-45	0
One-off financing costs	-	26
Adjusted FCF after interest	**394**	**670**

Adjusted FCF after interest



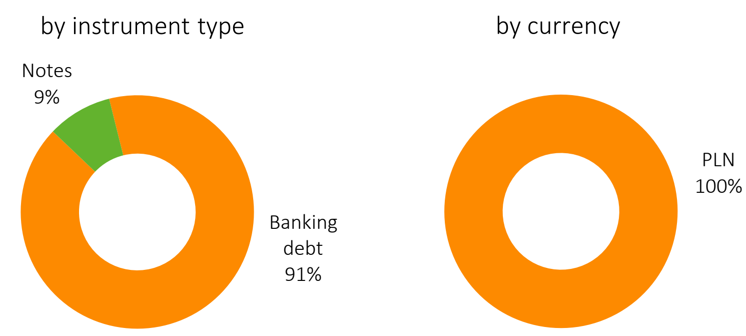
Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses

The Group's debt

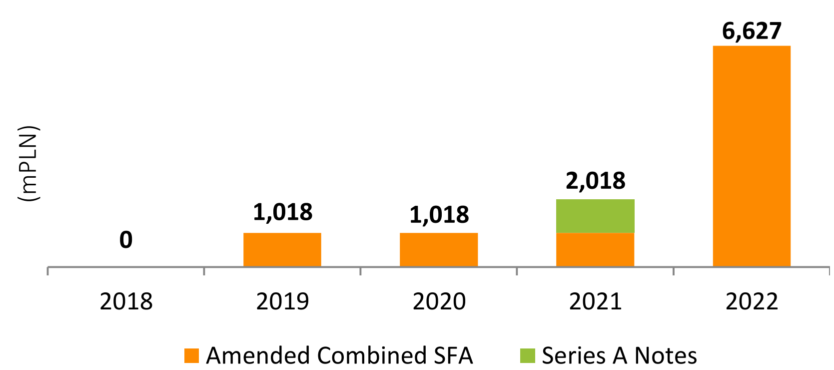
mPLN	Carrying amount as at 30 June, 2018
Combined Term Facility	9,588
Revolving Facility Loan	350
Series A Notes	1,018
Credit agreement of Netia Group[1]	276
Leasing and other	24
Gross debt	**11,256**
Cash and cash equivalents[2]	(888)
Net debt	**10,369**
EBITDA LTM[3]	3,560
Total net debt / EBITDA LTM	**2.91x**
Weighted average interest cost[4]	3.3%

[1] Netia repaid the full amount of indebtedness resulting from its credit agreement with the consortium of banks on July 26, 2018.
[2] This item comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
[3] In accordance with the requirements of the Combined SFA, EBITDA LTM includes the EBITDA figures for Q3 and Q4 of 2017 calculated according to IAS 18 (binding until December 31, 2017) and the EBITDA figure for Q1 and Q2 of 2018 calculated according to IFRS 15 (binding from January 1, 2018).
[4] Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments and indebtedness of Netia Group, as at June 30, 2018 assuming WIBOR 1M of 1.64% and WIBOR 6M of 1.78%.
[5] Nominal value of the indebtedness as at 31 March 2018 (excluding the Revolving Facility Loan and leasing).

Debt structure[5]



Debt maturing profile[5]



Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses

4. Summary and Q&A

Summary

Very good operational and sales results in the segment of services provided to residential and business customers

Strong financial performance, in line with the company’s expectations

Implementation of strategic initiatives to support sales of Netia products

Control over ESN builds our position on the market of premium sports channels

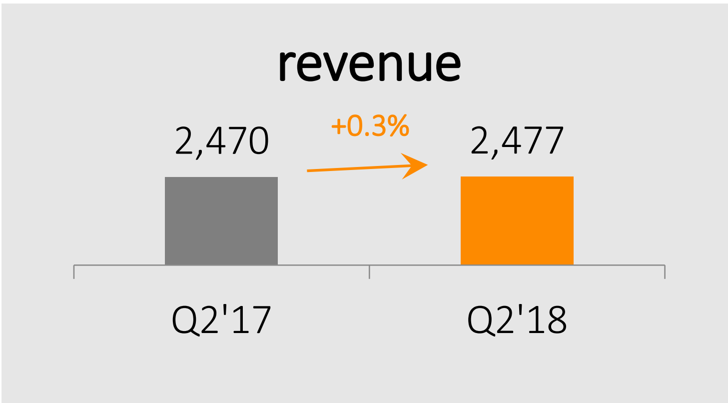
Polsat Sport Premium channels on air – monetization of UEFA Champions League and Europa League rights initiated

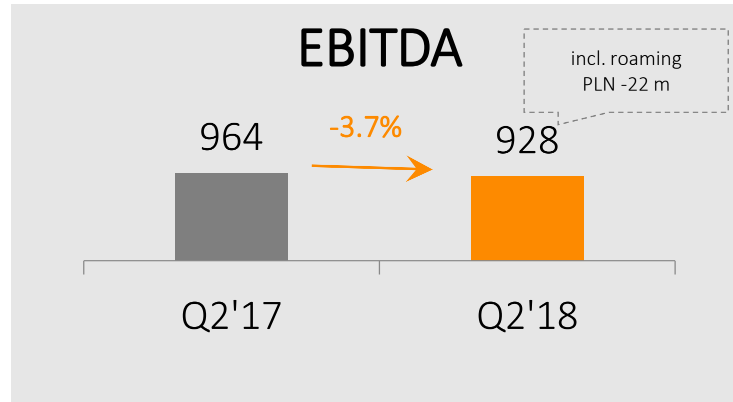
5. Additional information:

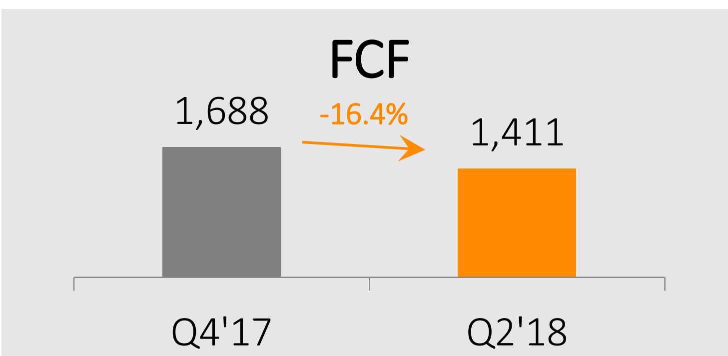
financial results based on previously applicable IAS 18 standard and excl. Netia Group’s results

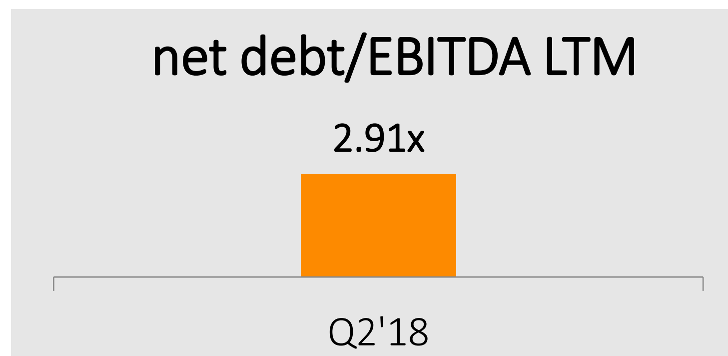
Results of the Group in Q2’18

Based on previously applicable IAS 18 standard and excl. Netia Group’s results[1]









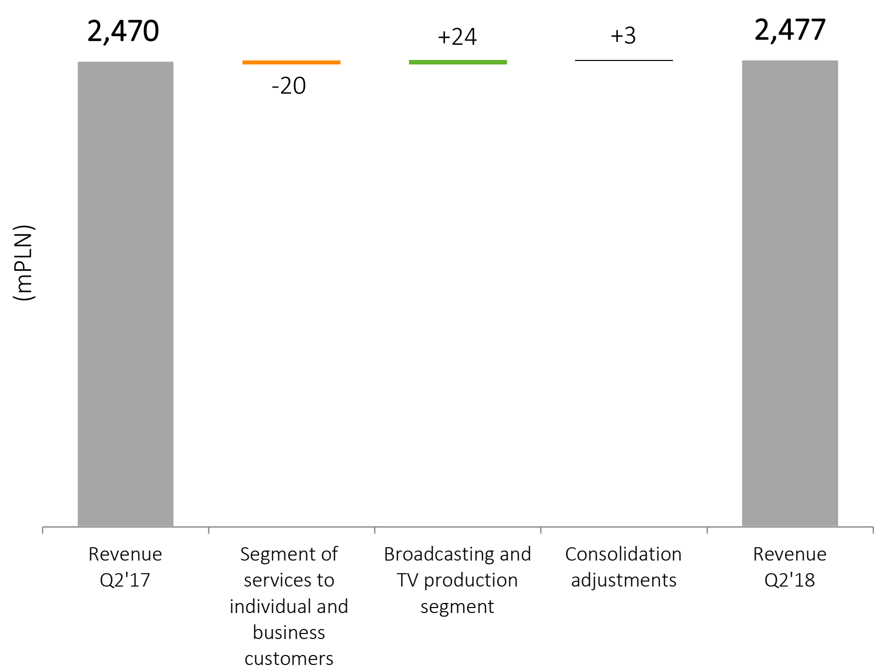
Source: Consolidated financial statements for the 6 month period ended 30 June 2018
Note: (1) Applies to Revenues and EBITDA

Revenue and EBITDA – change drivers

Based on previously applicable IAS 18 standard and excl. Netia Group's results

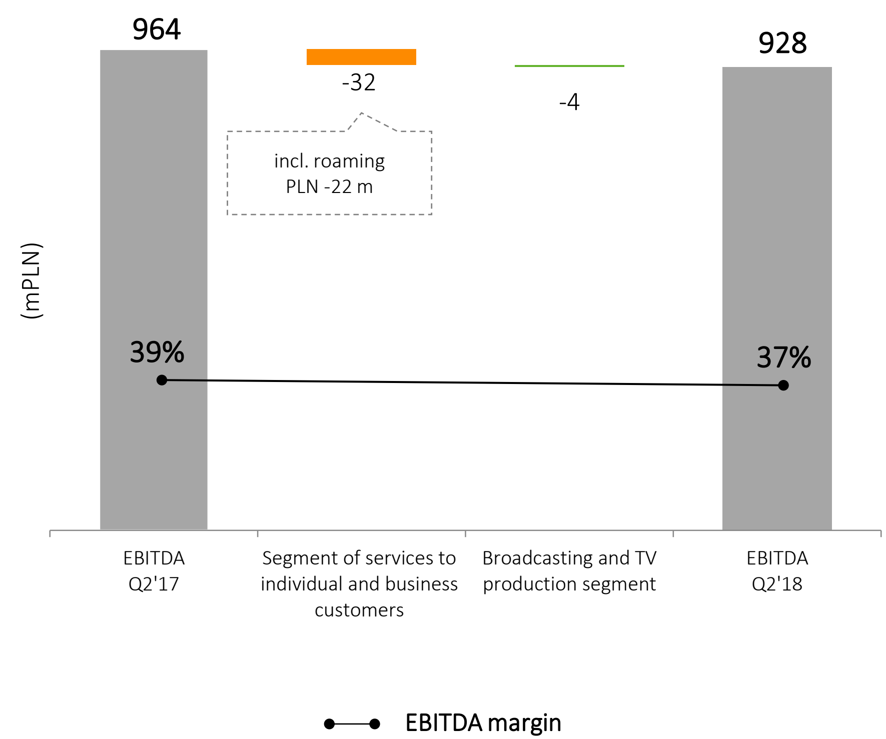
Revenue

YoY change **+0.3% +7m**



EBITDA

YoY change **-4% -36m**



Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and own estimates relating to Q2'17

Results of the segment of services to individual and business customers

Based on previously applicable IAS 18 standard and excl. Netia Group's results

mPLN	Q2'18(1)	*YoY change*
Revenue	2,121	*-1%*
Operating costs(2)	1,343	*0%*
EBITDA	776	*-4%*
EBITDA margin	36.6%	*-1.2pp*

- The level of revenue reflects lower retail revenue with simultaneous increase in wholesale revenue
- Costs were mainly shaped by lower costs of equipment sold as well as by higher technical costs and cost of settlements with telecommunication operators

Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses
Note: (1) Based on previously applicable accounting standards
(2) Costs exclude depreciation, amortization, impairment and liquidation

Results of the broadcasting and TV production segment

Based on previously applicable IAS 18 standard and excl. Netia Group's results

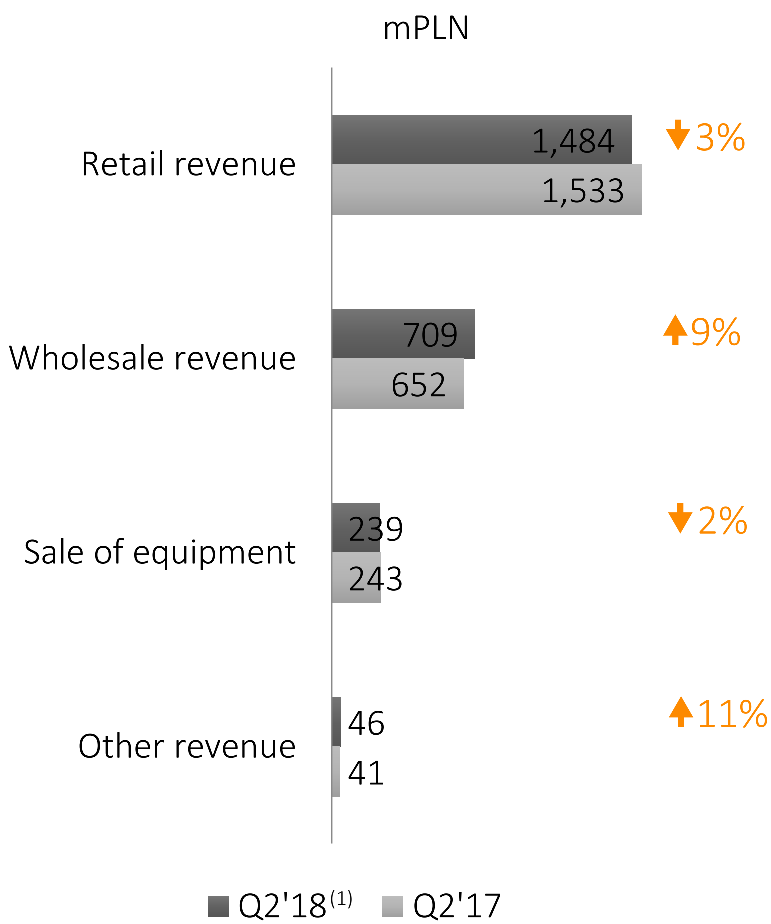
mPLN	Q2'18[1]	*YoY change*
Revenue	412	*6%*
Operating costs[2]	262	*12%*
EBITDA	151	*-3%*
EBITDA margin	36.6%	*-3.4pp*

- EBITDA for the segment stable in spite of the temporary impact of the FIFA World Cup 2018 Russia matches broadcasted in the free-to-air channels of the public service broadcaster

Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses
Note: (1) Based on previously applicable accounting standards
(2) Costs exclude depreciation, amortization, impairment and liquidation

Revenue structure

Based on previously applicable IAS 18 standard and excl. Netia Group's results

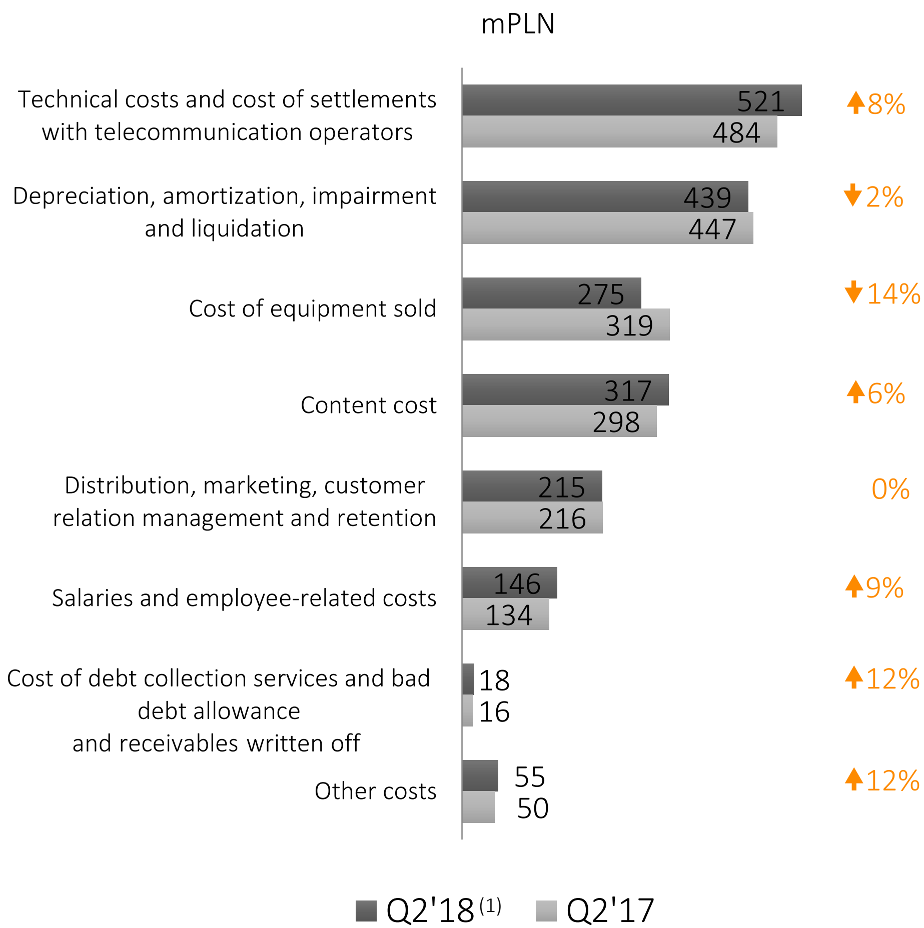


- The decrease of **retail revenue** was primarily due to lower revenue from voice services. The erosion of revenue from voice services resulted, among others, from the full implementation of the *Roam Like at Home* regulation, which imposed the levelling of retail roaming charges with domestic charges from June 2017, and the change in the model of offering equipment to retail customers. The decrease in retail revenue was partially compensated by higher revenue from pay TV and data transmission services.
- The increase in **wholesale revenue was** primarily due to higher advertising revenue, resulting from the inclusion of new TV channels to the Group's portfolio as well as higher revenue from interconnection services, which in turn was the result of the increasing volume of traffic exchanged with other networks.
- Lower revenue from **sale of equipment**, mainly due to a lower volume of sales of end-user devices, which was also reflected in the lower cost of equipment sold.

Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses
Note: (1) Based on previously applicable accounting standards

Operating costs structure

Based on previously applicable IAS 18 standard and excl. Netia Group's results



- Increase in **technical costs** mainly as a result of higher costs of purchasing traffic in international roaming, related to a significant increase in the volume of traffic generated by Poles travelling abroad (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs due to a higher volume of calls terminated by our customers in networks of other operators.
- Decrease in **amortization costs,** among others due to the termination of the amortization period of certain intangible assets, recognized upon the acquisition of Polkomtel in 2014, which was partially offset by the shortening of the amortization period of certain tangible assets.
- Lower **cost of equipment sold** as a consequence of a lower volume of sales of end-user devices.
- Increase in **content costs** was the result of higher cost of internal production due to, among others, recognizing the costs of the newly acquired TV channels, as well as higher license fees resulting from the growing popularity of "premium" type program packages among our pay TV customers.

Source: Consolidated financial statements for the 6 month period ended 30 June 2018 and internal analyses
Note: (1) Based on previously applicable accounting standards

Implementation of IFRS 15 – impact on ARPU from contract services

PLN	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18
contract ARPU based on previously applicable accounting standards	89.1	89.6	88.4	89.0	88.7	89.6
contract ARPU after the implementation of IFRS 15	80.3	81.2	80.5	81.9	81.9	82.9

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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