



Financial results Q3'2017

9 November 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.

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Agenda



1. Key events in Q3'17
2. Operating results
3. Financial results
4. Summary and Q&A



1. Key events in Q3'17

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Key events



Moody's Investors Service upgrades the rating outlook for Cyfrowy Polsat Group to positive



Very good operating results due to the success of the multiplay strategy

2. Operating results



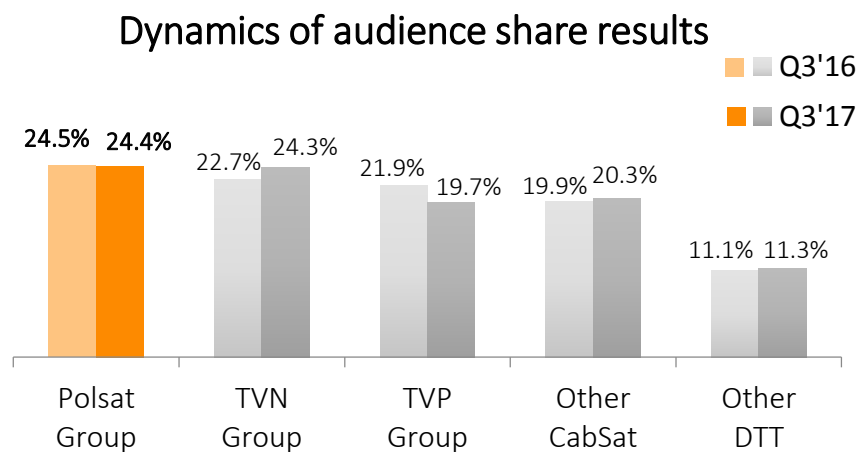
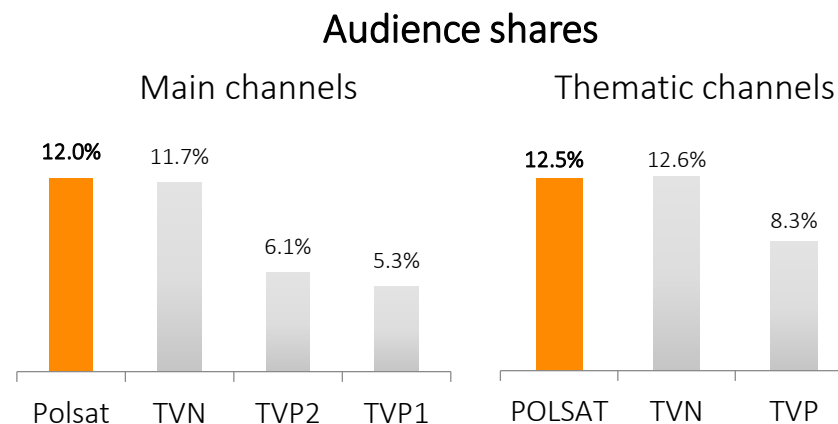
2.1 Broadcasting and TV production segment



Viewership of our channels in Q3'17



- Polsat Group and Polsat's main channel are the viewership leaders in the commercial group
- Good start of the autumn programming



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 broadcasted on TV in real time by recording it on a storage medium (e.g. digital video recorder) to be viewed at a later time.)

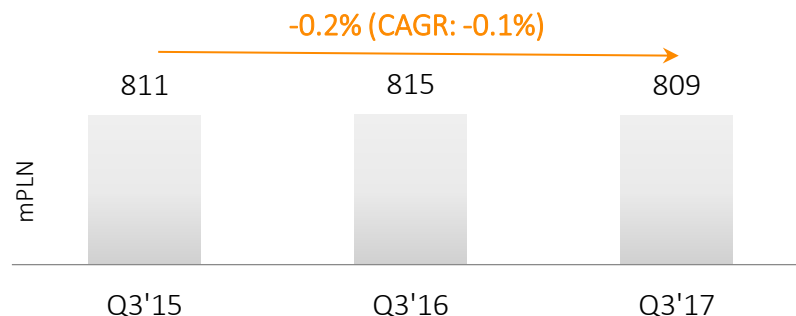


Position on the advertising market in Q3'17

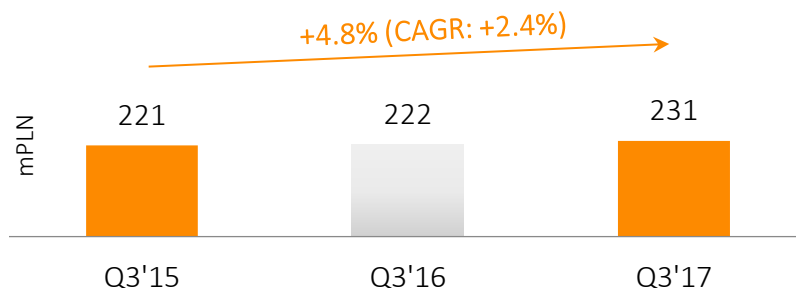


- Slight decrease in TV advertising and sponsorship market
- Dynamic growth of revenue from advertising and sponsorship of TV Polsat Group against a flat advertising market
- Our share in the TV advertising and sponsoring market increased to 28.6%

Market expenditures on TV advertising and sponsorship



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



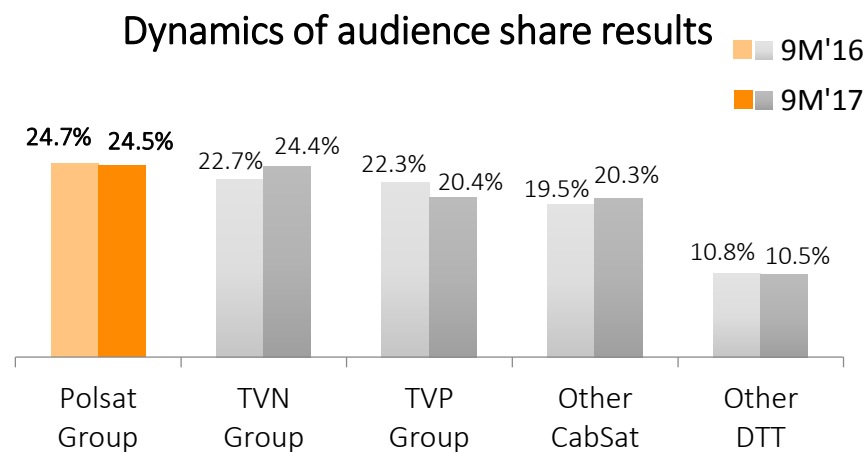
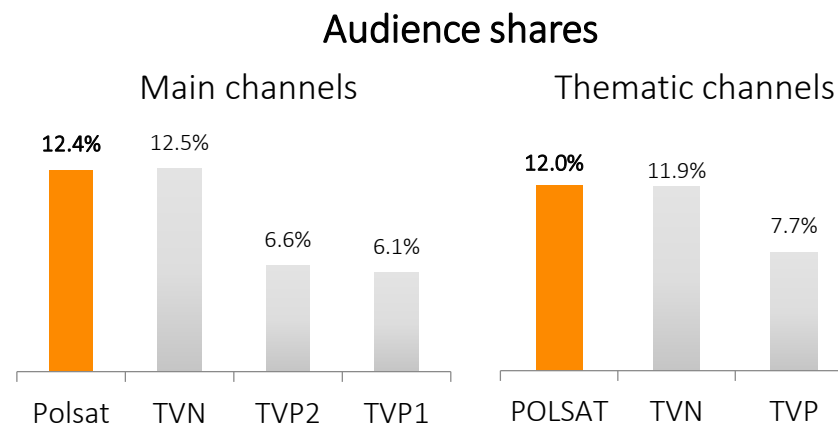
Source: Starcom, preliminary data, airtime and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition



Viewership of our channels in 9M'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 broadcasted on TV in real time by recording it on a storage medium (e.g. digital video recorder) to be viewed at a later time.)

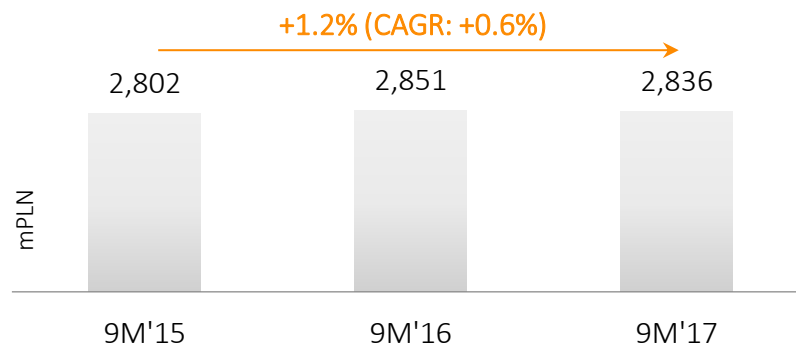


Position on the advertising market in 9M'17

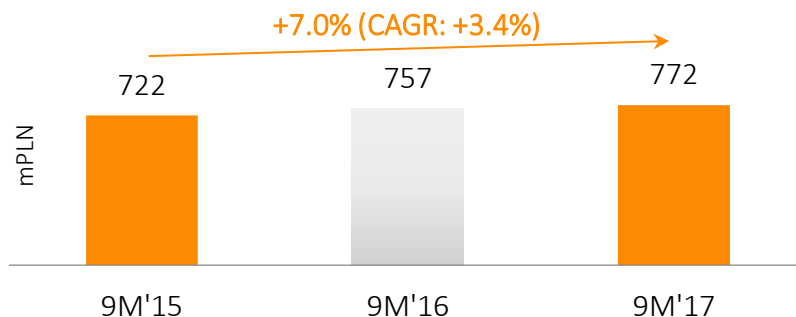


- Stable TV advertising and sponsorship market
- Revenue from TV advertising and sponsorship of TV Polsat Group grew faster than the market
- Our share in the TV advertising and sponsoring market increased to 27.2%

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



Financial results of the broadcasting and TV production segment



mPLN	Q3'15	Q3'16	Q3'17	YoY change	Q3'17vs Q3'15
Revenue	283	321	306	-5%	8%
Operating costs ⁽¹⁾	198	195	215	10%	9%
EBITDA	86	128	91	-29%	6%
EBITDA margin	30.4%	39.9%	29.9%	-10.0pp	-0.5pp

Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis
 Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

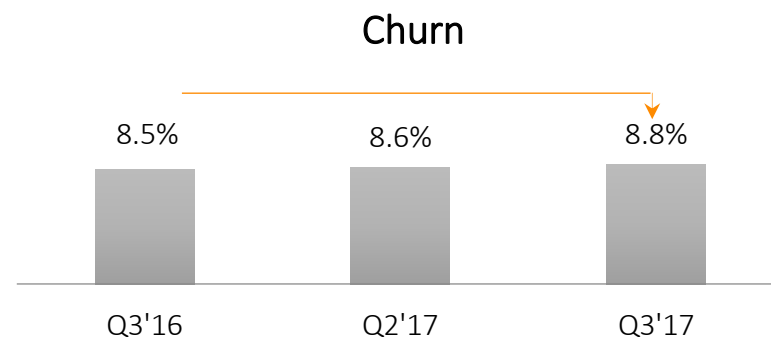
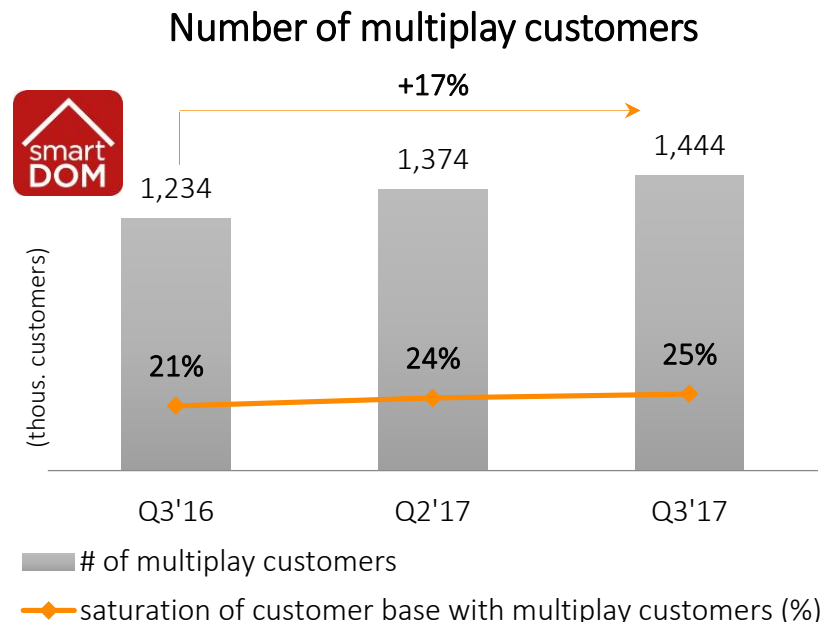


2.2 Services to individual and business customers



Continuation of the multiplay strategy

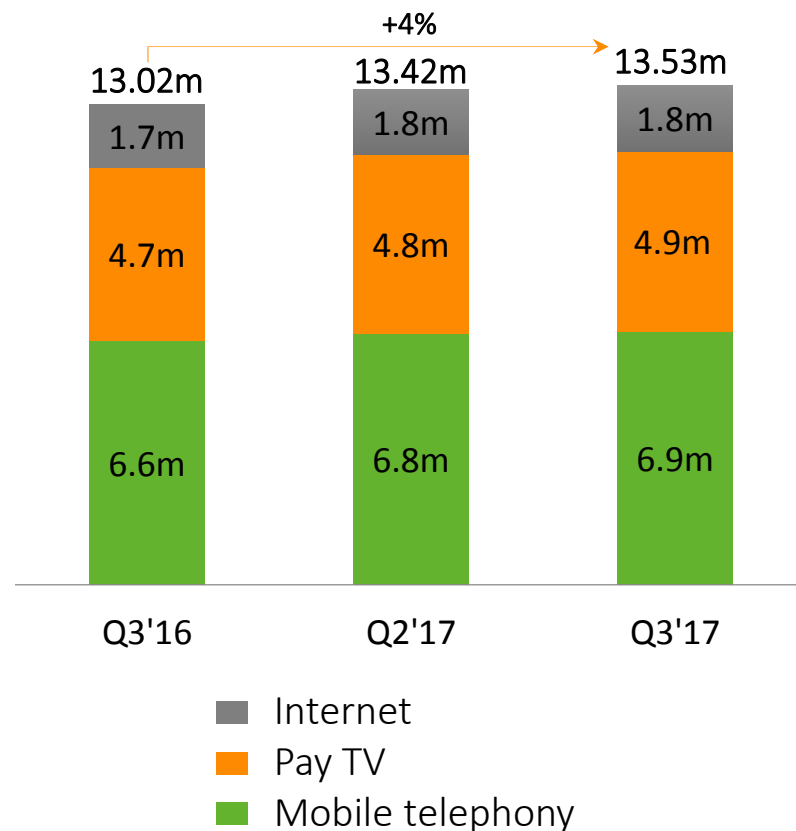
- Effective strategy results in faster sales and stable increase in the number of customers of the multiplay offer by 210K YoY
- The number of RGUs owned by smartDOM customers increased to 4.31m
- Low churn level, mainly due to our multiplay strategy



Stable growth in contract services



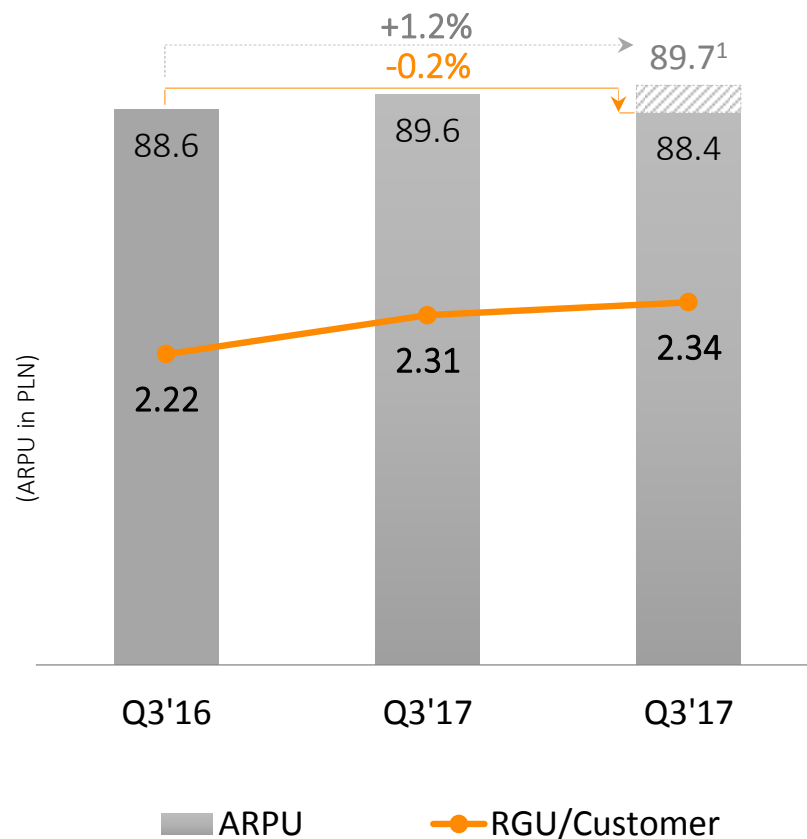
- Increase in the number of contract services by 512K YoY
- 248K YoY of additional mobile telephony RGUs mainly due to the favorable effect of our multiplay strategy, temporarily supported by intensified migration of customers from the prepaid segment
- Pay TV RGUs increased by 203K YoY (effect of multiroom and paid OTT)
- Further growth in Internet access RGUs by 61K YoY



Contract ARPU dynamics temporarily impacted by RLAH regulation



- Assuming a stable level of roaming revenue, contract ARPU would have increased by 1.2% YoY in Q3'17
- Historically ca. 30% of retail roaming revenue was generated in Q3 – the influence of RLAH on ARPU should decrease in consecutive quarters
- Effective upselling of products, carried out as part of our multiplay strategy, continues to be reflected by growing RGU saturation per customer

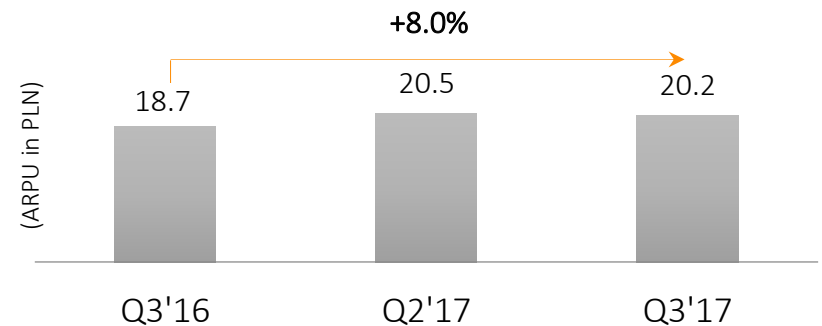
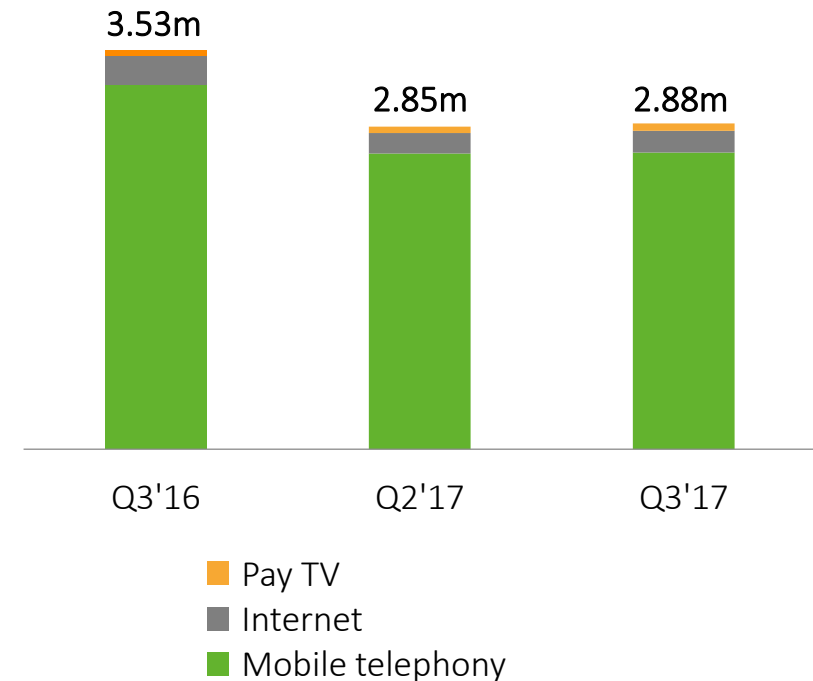


Note: (1) assuming a stable level of roaming revenue



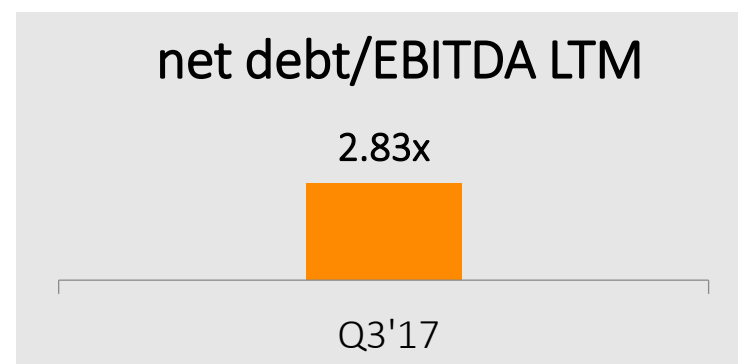
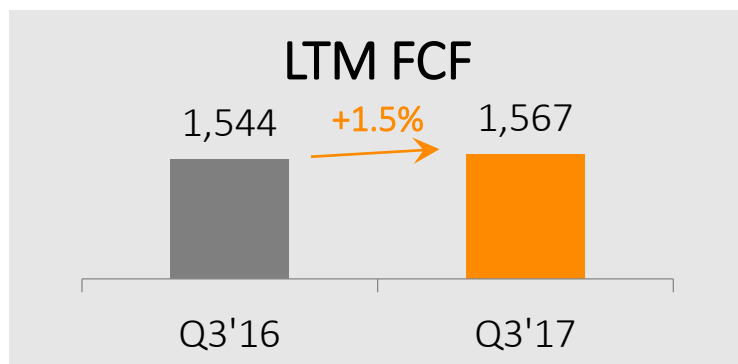
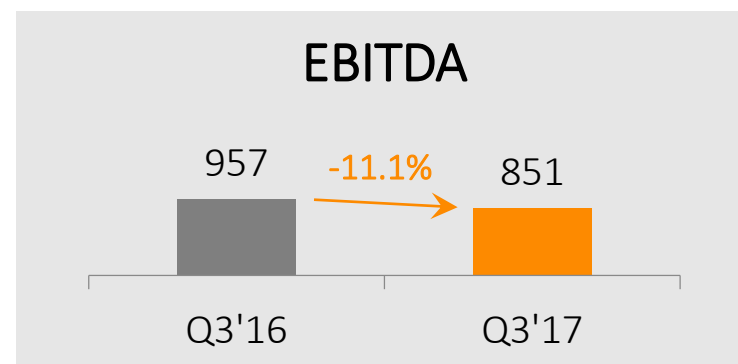
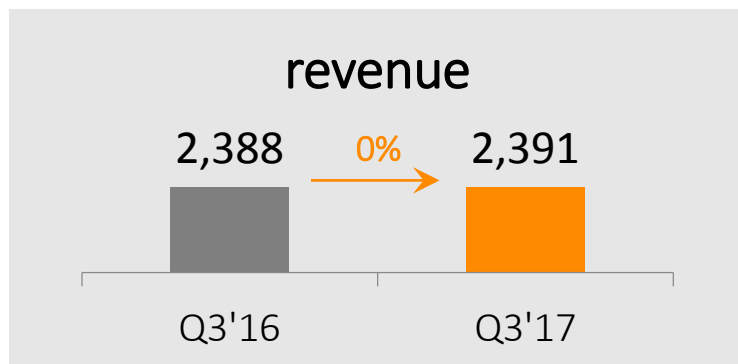
Growing ARPU, stable prepaid base

- Stable prepaid base of 2.9m services, reflecting the actual number of users
- Dynamically growing ARPU as a result of cleansing the customer base of the so-called *one time users* and also thanks to the end of registration-related promotions



3. Financial results

Results of the Group



Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis

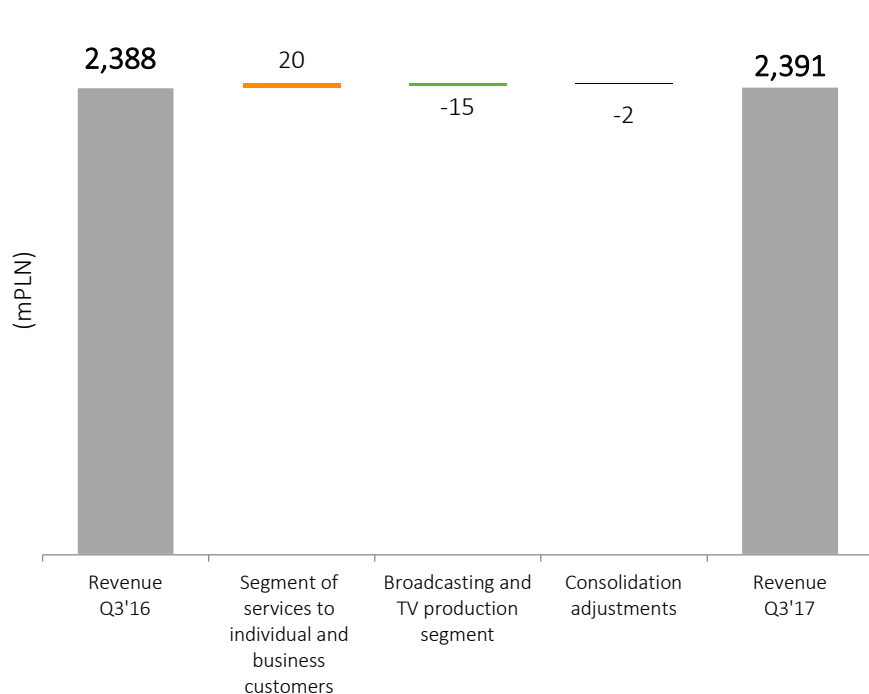


Revenue and EBITDA – change drivers



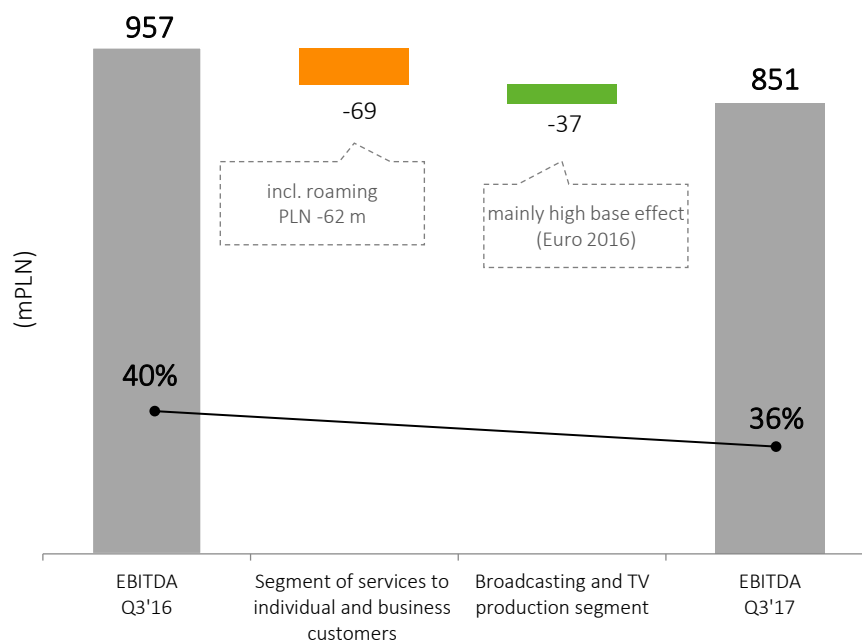
Revenue

YoY change **0%
+3 m**



EBITDA

YoY change **-11%
-106 m**

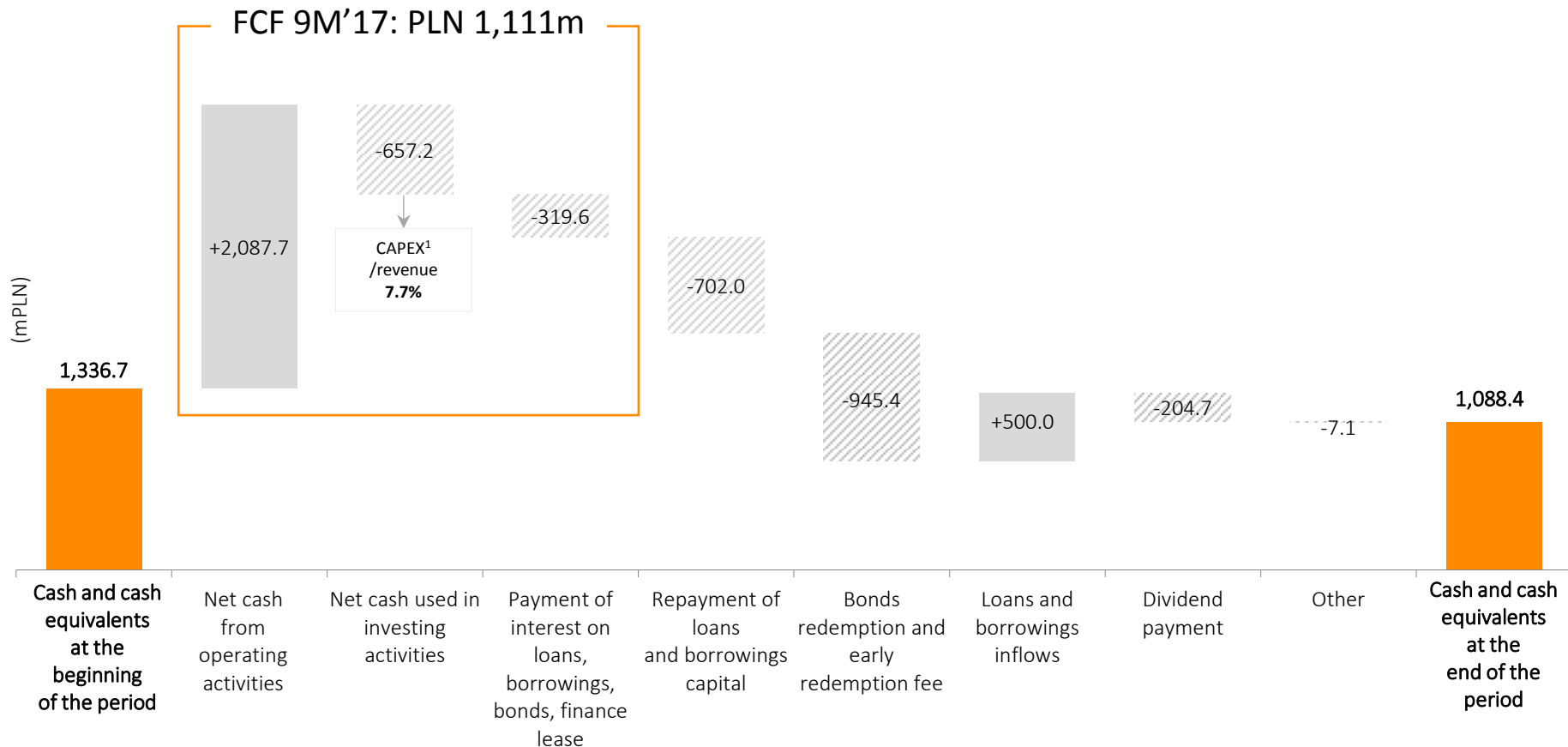


●—● EBITDA Margin

Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis



Cash flow statement in 9M'17

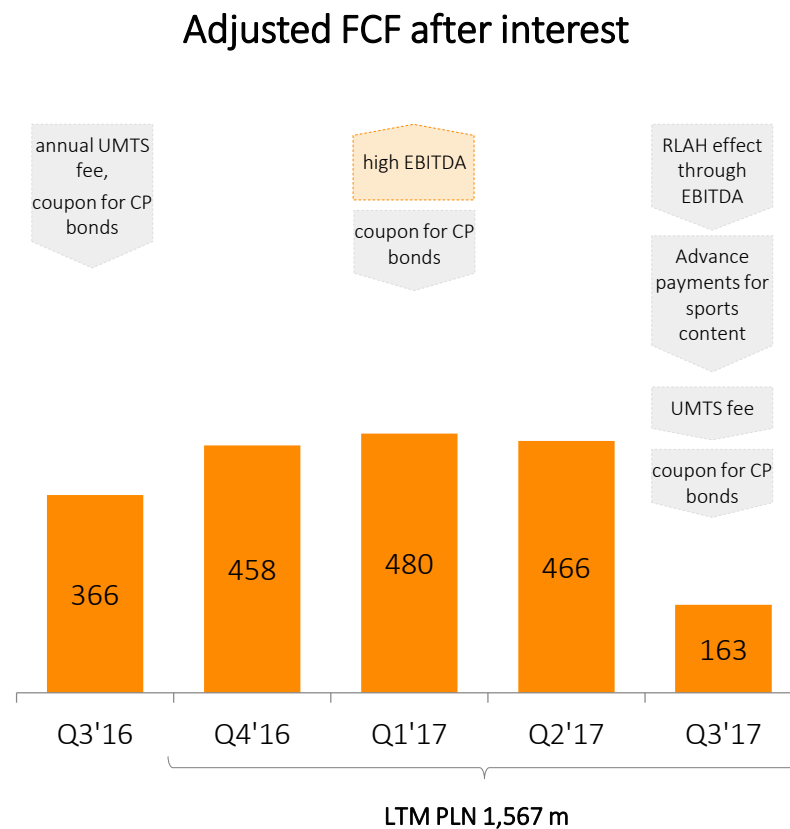


Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis
 Note: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

FCF – cumulation of payments in Q3'17



mPLN	Q3'17	9M'17
Net cash from operating activities	568	2,088
Net cash used in investing activities	-290	-657
Payment of interest on loans, borrowings, bonds, finance lease	-114	-320
FCF after interest	165	1,111
Acquisition of subsidiary	-2	-2
Adjusted FCF after interest	163	1.109



Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis



The Group's debt



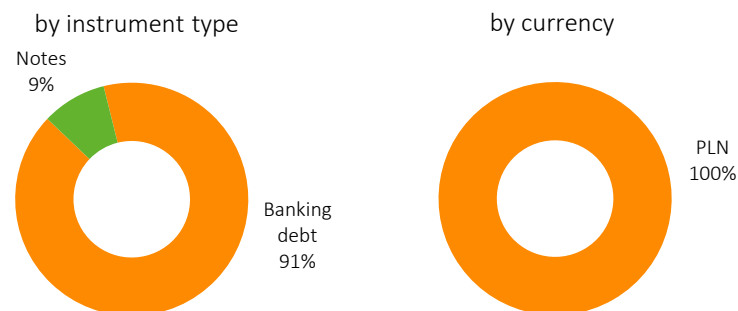
mPLN	Carrying amount as at 30 September 2017
Combined Term Facility	9,887
Revolving Facility Loan	500
Series A Notes	1,007
Leasing and other	26
Gross debt	11,420
Cash and cash equivalents ¹	(1,088)
Net debt	10,332
EBITDA LTM	3,647
Total net debt / EBITDA LTM	2.83
Weighted average interest cost ²	3.4%

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

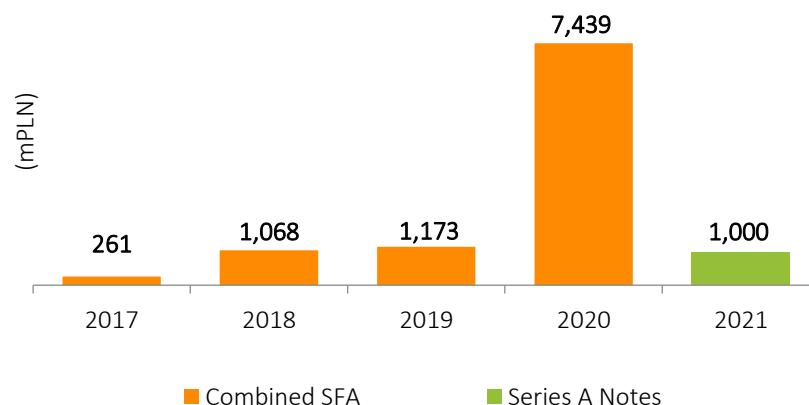
² Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments, as at 30 September 2017 assuming WIBOR 1M of 1.66% and WIBOR 6M of 1.81%.

³ Nominal value of the indebtedness as at 30 September 2017 (excluding the Revolving Facility Loan and leasing)

Debt structure³



Debt maturing profile³



Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis



4. Summary and Q&A



Summary



Very good operating and sales results in both business segments



Consistent implementation of the company's financial policy reflected in a positive rating from Moody's



Development of numerous Christmas season offers to continue the pursuit of the effective multiplay strategy



5. Additional information



Results of the segment of services to individual and business customers



mPLN	Q3'17	YoY change
Revenue	2.140	1%
Operating costs ⁽¹⁾	1.387	8%
EBITDA	760	-8%
EBITDA margin	35.5%	-3.6pp

- In spite of the adverse influence of the *Roam Like At Home* regulation, total revenue continues to grow, owing to higher revenue from sale of equipment as well as growing wholesale revenue.
- At the same time, higher roaming traffic usage translates into substantially higher technical and interconnect (IC) costs. Distribution, marketing, customer relation management and retention costs are also increasing.

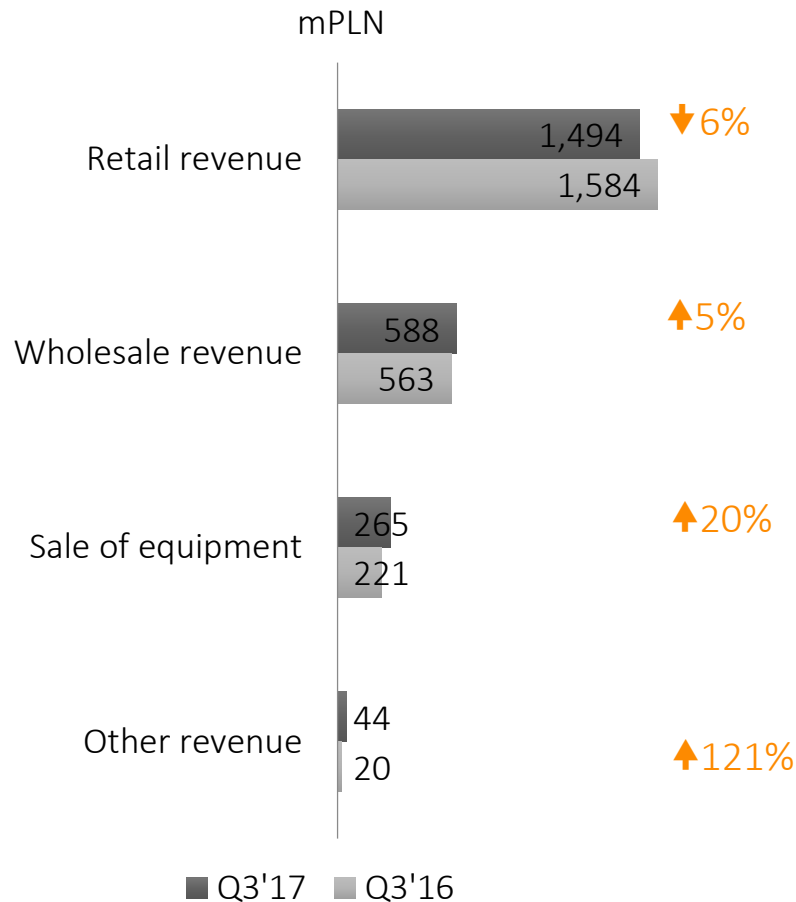
Results of the broadcasting and TV production segment



mPLN	Q3'17	YoY change
Revenue	306	-5%
Operating costs ⁽¹⁾	215	10%
EBITDA	91	-29%
EBITDA margin	29.9%	-10.0pp

- 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 and Q3'16.

Revenue structure

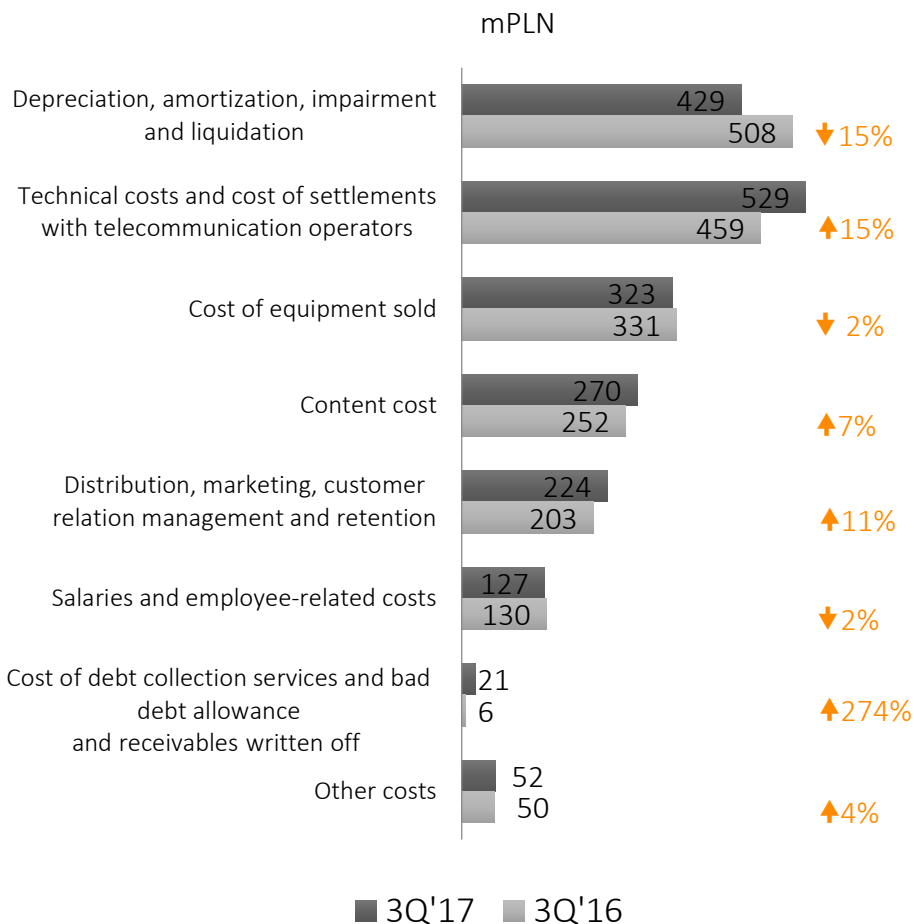


- Decrease of retail revenue was primarily due to lower revenue from voice services. Several factors contributed to the erosion of revenue from voice services, in particular the full implementation of the *Roam Like at Home* regulation, the change in the model of offering equipment to retail customers, a lower number of prepaid activations, which is related to the statutory obligation of prepaid SIM registration. The decrease in retail revenue was partially compensated by higher revenue from pay TV and higher revenue from mobile Internet access services.
- Increase in wholesale revenue primarily as a result of growing revenue from IC settlements. Dynamic growth of wholesale revenue was significantly distorted by the effect of a high base in the comparative period, as in Q3'16 wholesale revenue 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 higher revenue from installment plan sales of equipment related to the increasing share of this model in the equipment sales, as well as to our customers' increased demand for more advanced and expensive devices.

Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis



Operating costs structure



- Decrease in amortization costs 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 to the termination of the depreciation period of selected elements of this infrastructure.
- Increase in technical costs as a result of higher costs related to a significant increase in the traffic volume generated in international roaming (effect of the Roam like at home regulation), as well as higher interconnection costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks.
- Higher content costs are due primarily to higher costs of sports rights, which was related i.a. to the broadcasting of the 2017 Men's and Women's European Volleyball Championship and the tennis grand slam US Open tournament, as well as higher costs of programming licenses related to increasing popularity of our premium programming packages among our pay TV customers.
- Higher distribution, marketing, customer relation management and retention costs, among others, due to the intensification of marketing campaigns and higher distribution costs, which was reflected in very good sales results.

Source: Consolidated financial statements for the 9 month period ended 30 September 2017 and internal analysis



As a result of RLAH, domestic operators have seen substantial growth of costs in Q3'17



- Implementation of the *Roam Like At Home* regulation has resulted in the decrease of revenue and a substantial growth of wholesale costs which are paid to foreign networks
- As a result, the roaming margin decreased by PLN 62m YoY
- Loss of retail revenue has been compensated by higher wholesale revenue only in a small degree. As a result, retail revenue decreased by PLN 21m
- Growth of technical costs by PLN 41m due to higher traffic volumes generated by Poles roaming abroad

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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