Financial results for Q4 and the full year 2017

22 March 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 2017
2. Operating results
3. Financial results
4. Summary and objectives for 2018

1. Key events in 2017

Key events in 2017

Implementation of *Roam like at home*

Acquisition of attractive sports rights

Strategic acquisitions

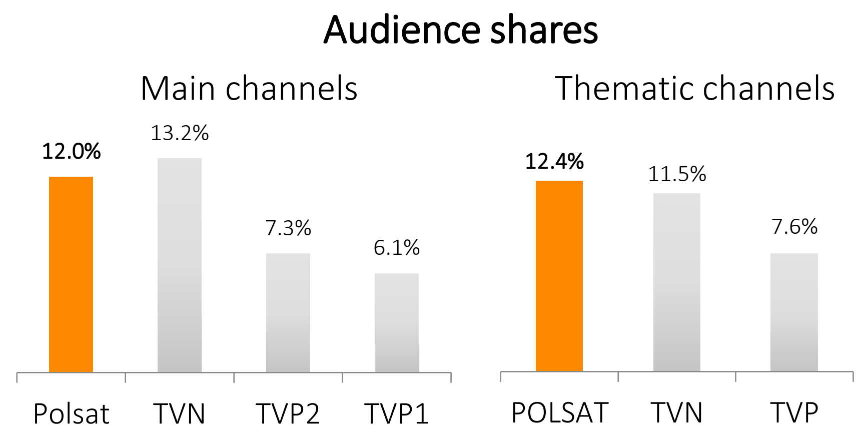
Implementation of multiplay strategy

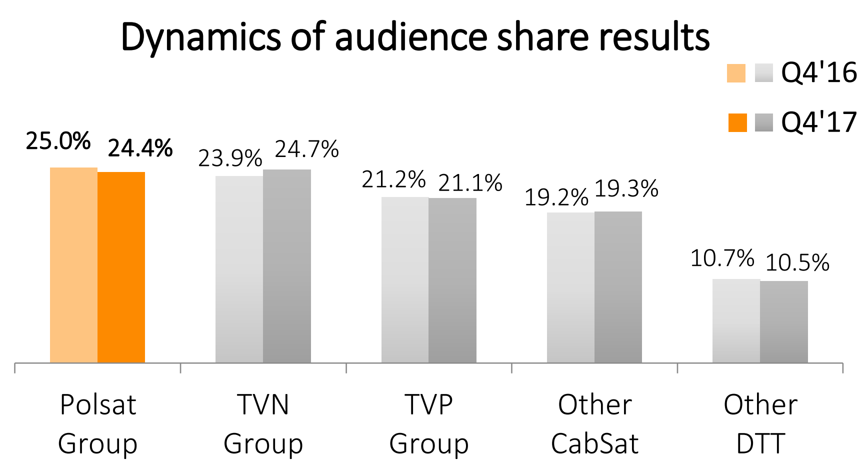
2. Operating results

2.1 Broadcasting and TV production segment

Viewership of our channels in Q4’17

- Polsat Group and its main channel are the viewership leaders in the commercial group





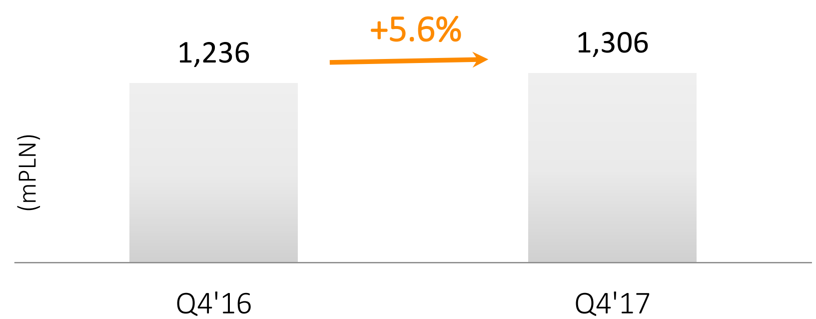
Source: NAM, All 16-49, all day, SHR%, including Live+2[1], internal analysis

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.)

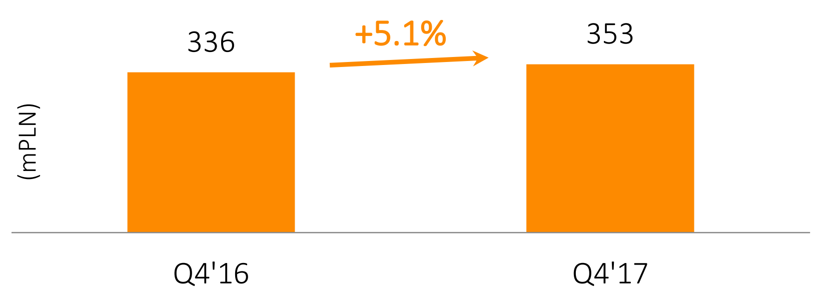
Position on the advertising market in Q4'17

- TV advertising and sponsorship market increased by 5.6% YoY in Q4'17
- Revenue from TV advertising and sponsorship of TV Polsat Group grew in line with the market
- Our share in the TV advertising and sponsoring market remained at 27.0%

Market expenditures on TV advertising and sponsorship



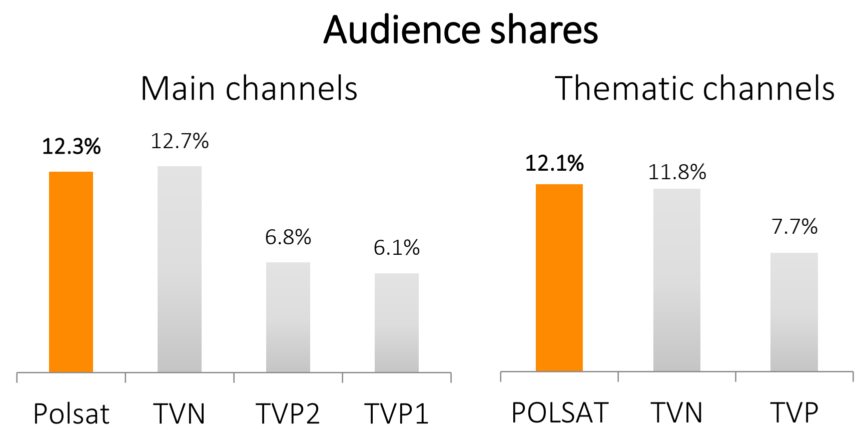
Revenue from advertising and sponsorship of TV Polsat Group(1)

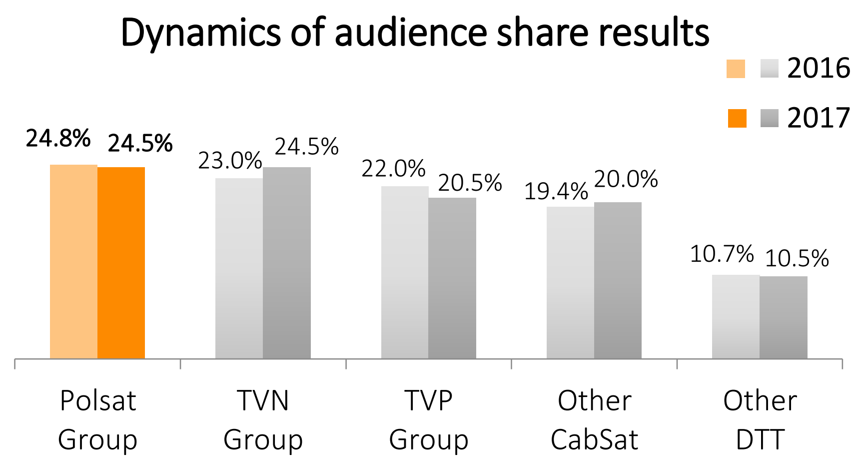


Source: Starcom, preliminary data, spot advertising and sponsorship; TV Polsat; internal analysis
Note: (1) Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

Viewership of our channels in 2017

- Polsat Group's viewership in line with its long-term strategy





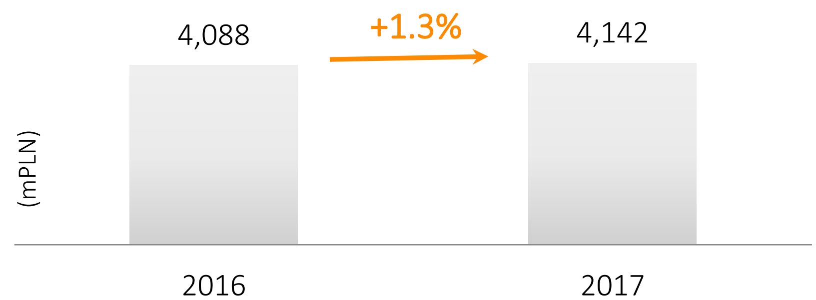
Source: NAM, All 16-49, all day, SHR%, including Live+2[1], internal analysis

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.)

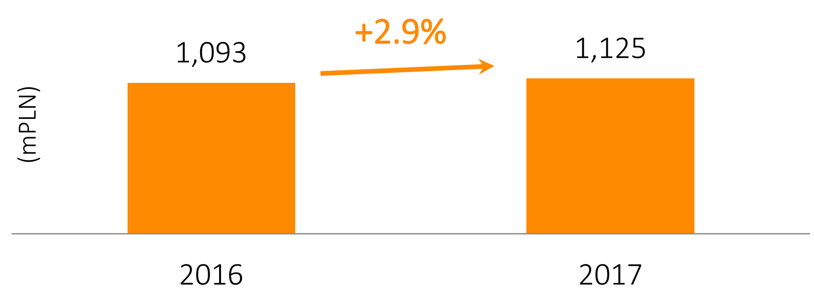
Position on the advertising market in 2017

- A slight increase in the 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

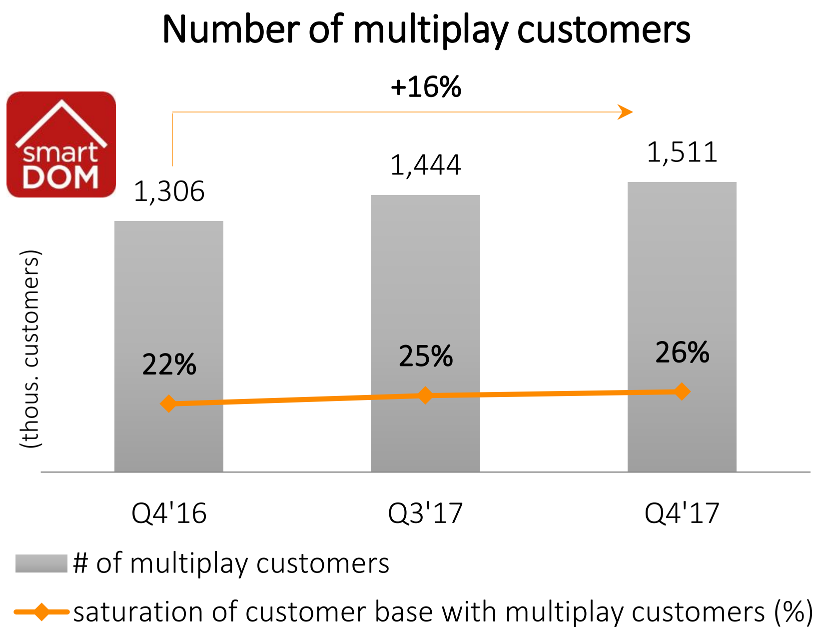
mPLN	**2015**	**2016**	**2017**	*YoY change*	*2017 vs 2015*
Revenue	1,300	1,484	1,434	*-3%*	*10%*
Operating costs[1]	853	920	933	*1%*	*9%*
EBITDA	445	563	505	*-10%*	*13%*
EBITDA margin	34.2%	38.0%	35.2%	*-2.8pp*	*1.0pp*

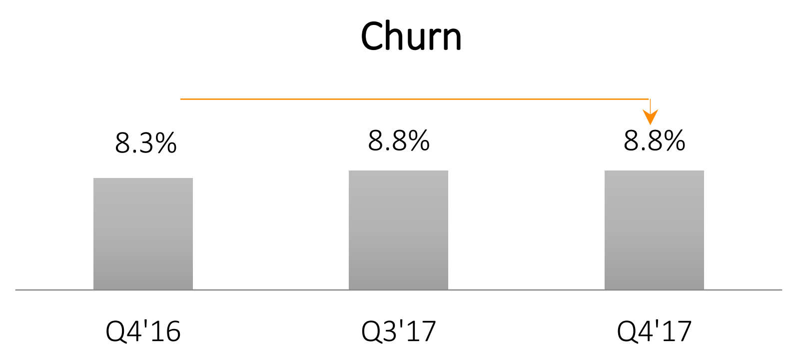
Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

2.2 Services to individual and business customers

Over 1.5 million customers use our multiplay offers

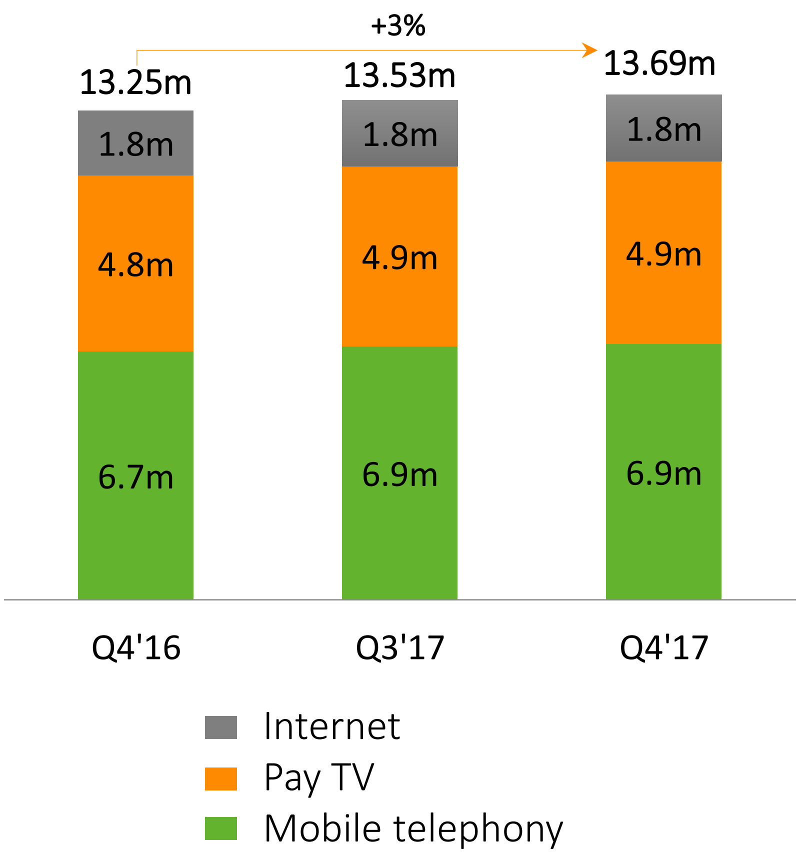
- Effective strategy results in a stable increase in the number of multiplay customers by 204K YoY
- The number of RGUs owned by smartDOM customers increased to 4.52m
- Low churn level, mainly due to our multiplay strategy





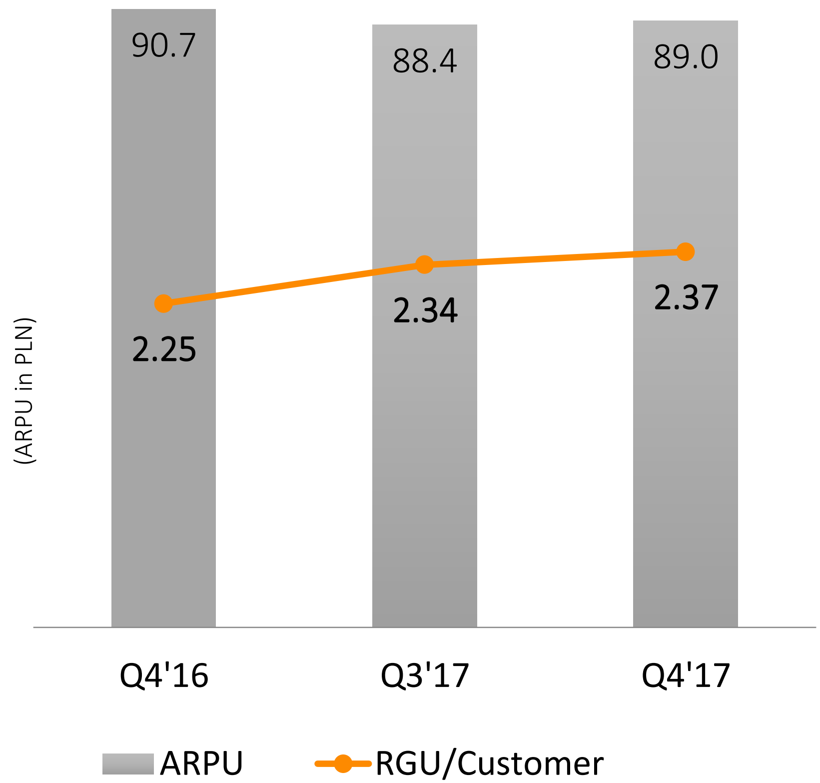
Stable growth in contract services

- Increase in the number of contract services by 430K YoY
- 202K contracts for voice services (YoY) have been added thanks to the positive effect of our multiplay strategy. The new tariffs, launched by Plus in February 2018, should maintain their favorable growth dynamics
- Pay TV RGUs increased by 176K YoY (effect of multiroom and paid OTT)
- Further growth in Internet access RGUs by 52K YoY



Relatively stable ARPU in spite of RLAH regulation

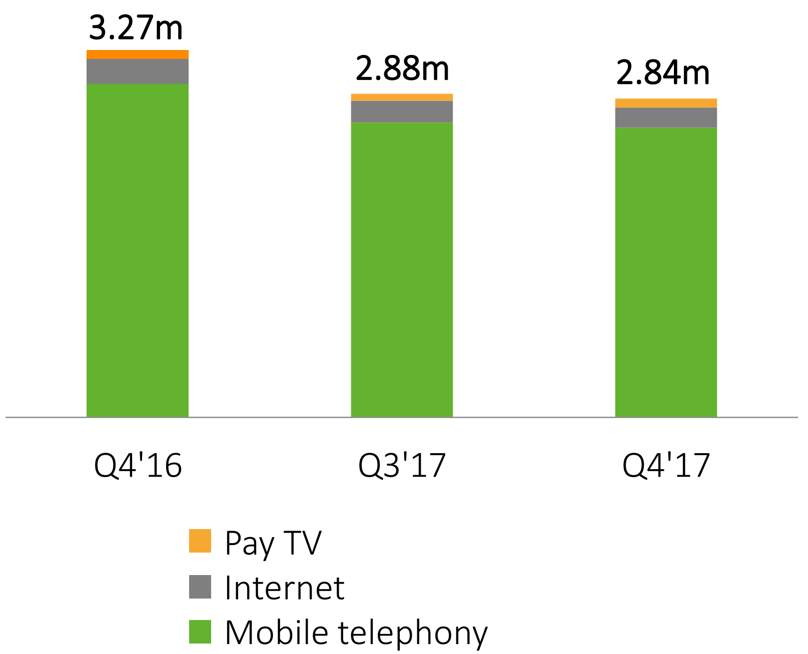
- The introduction of the *Roam like at home* regulation translates into stabilization of contract ARPU in Q4'17 – the effect of the regulation shall be also visible in H1'18
- Assuming stable roaming revenues, contract ARPU would have been nearly unchanged
- Effective upselling of products under our multiplay strategy continues to be reflected by growing RGU saturation per customer

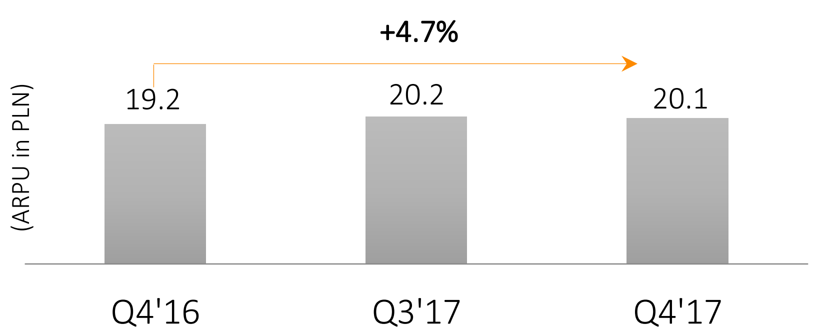


Note: (1) assuming a stable level of roaming revenue

Growing ARPU, stable prepaid base

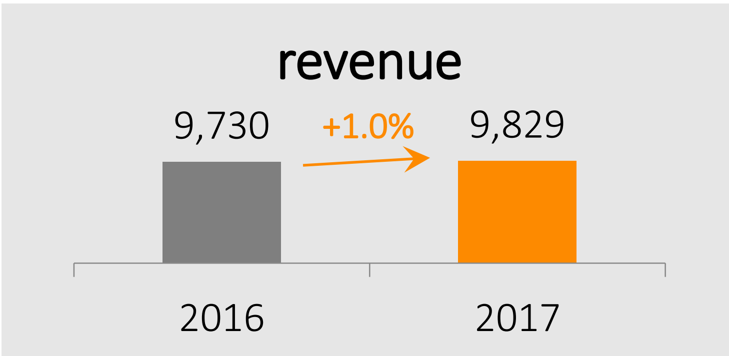
- Stable prepaid base of 2.8m services, reflecting the actual number of users
- Dynamically growing ARPU as a result of cleansing the customer base of the so-called *one time users* and also thanks to the end of registration-related promotions

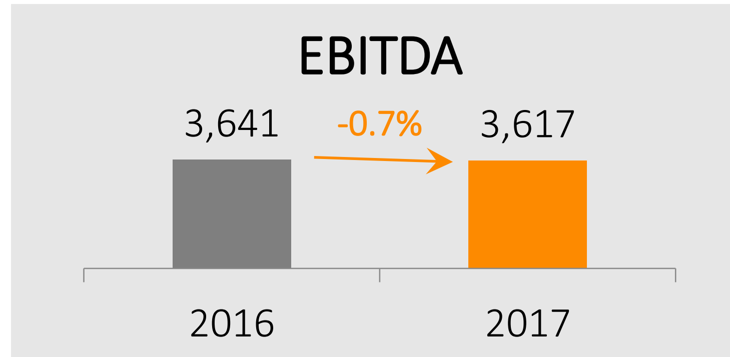


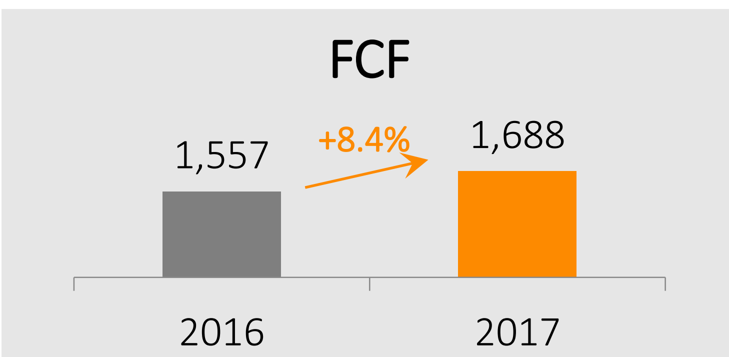


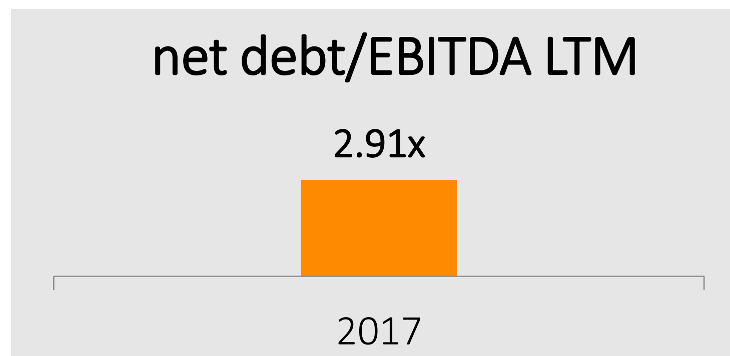
3. Financial results

Results of the Group in 2017



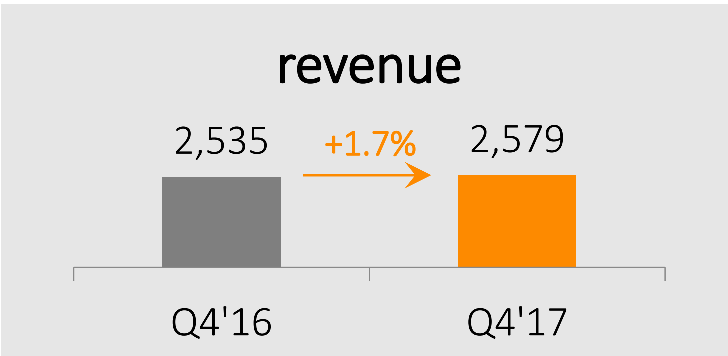


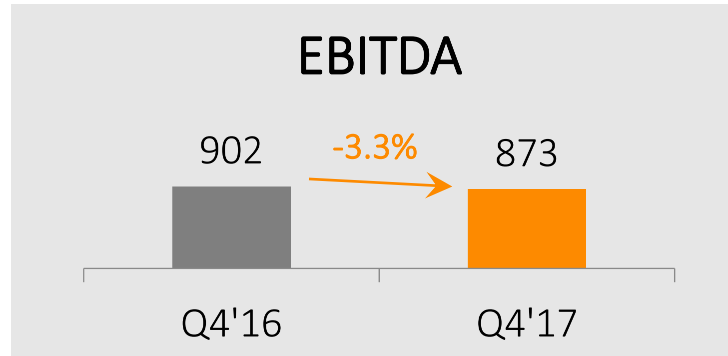


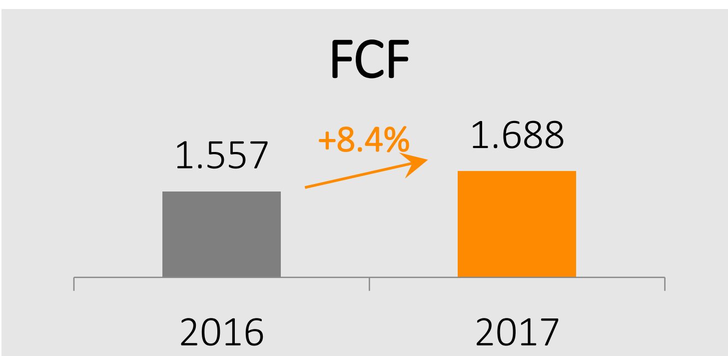


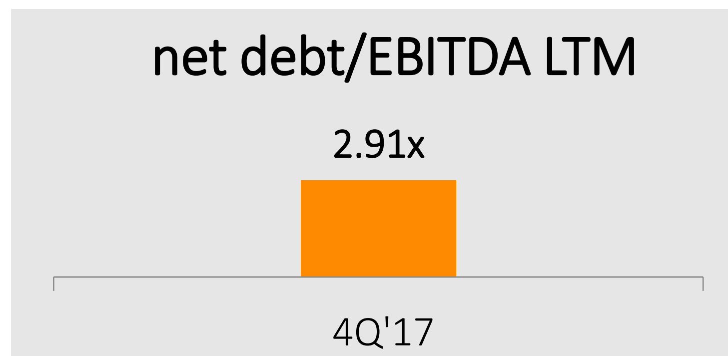
Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

Results of the Group in Q4’17





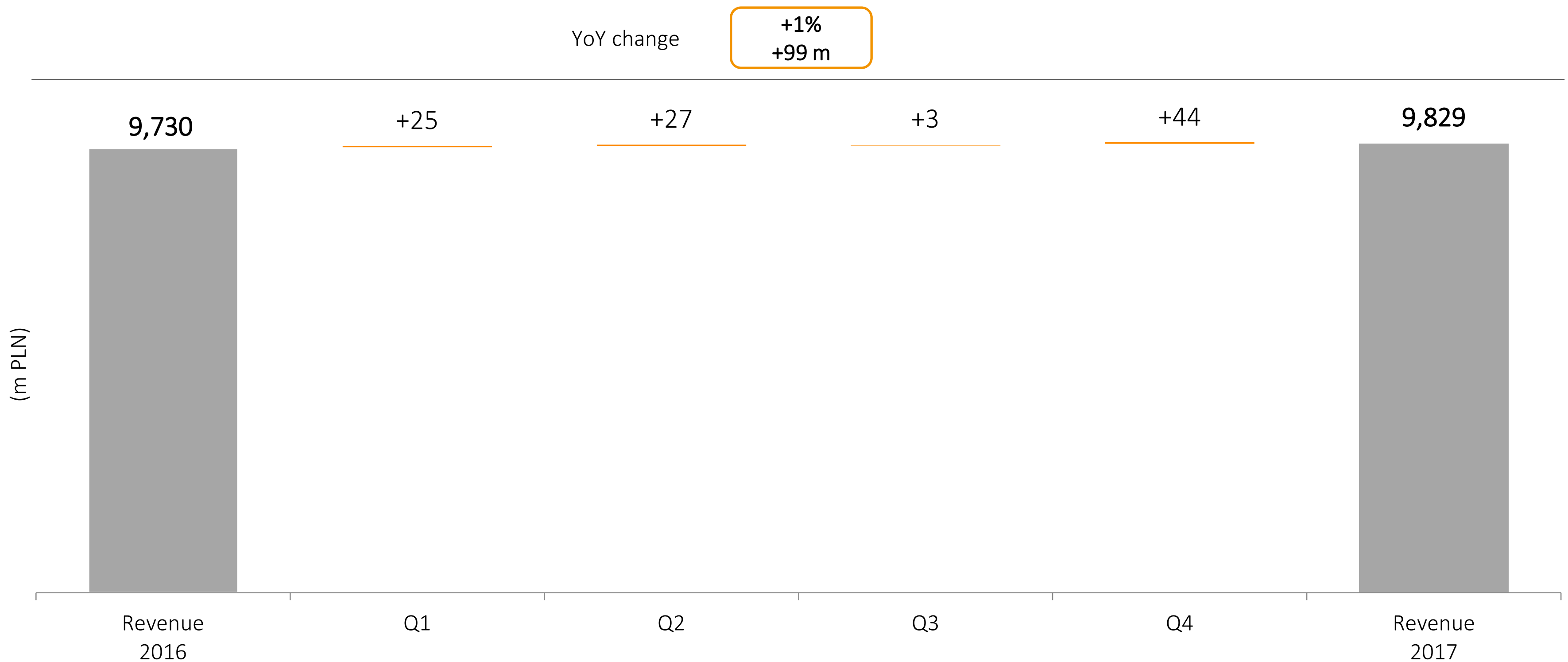




Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

Stable revenue growth

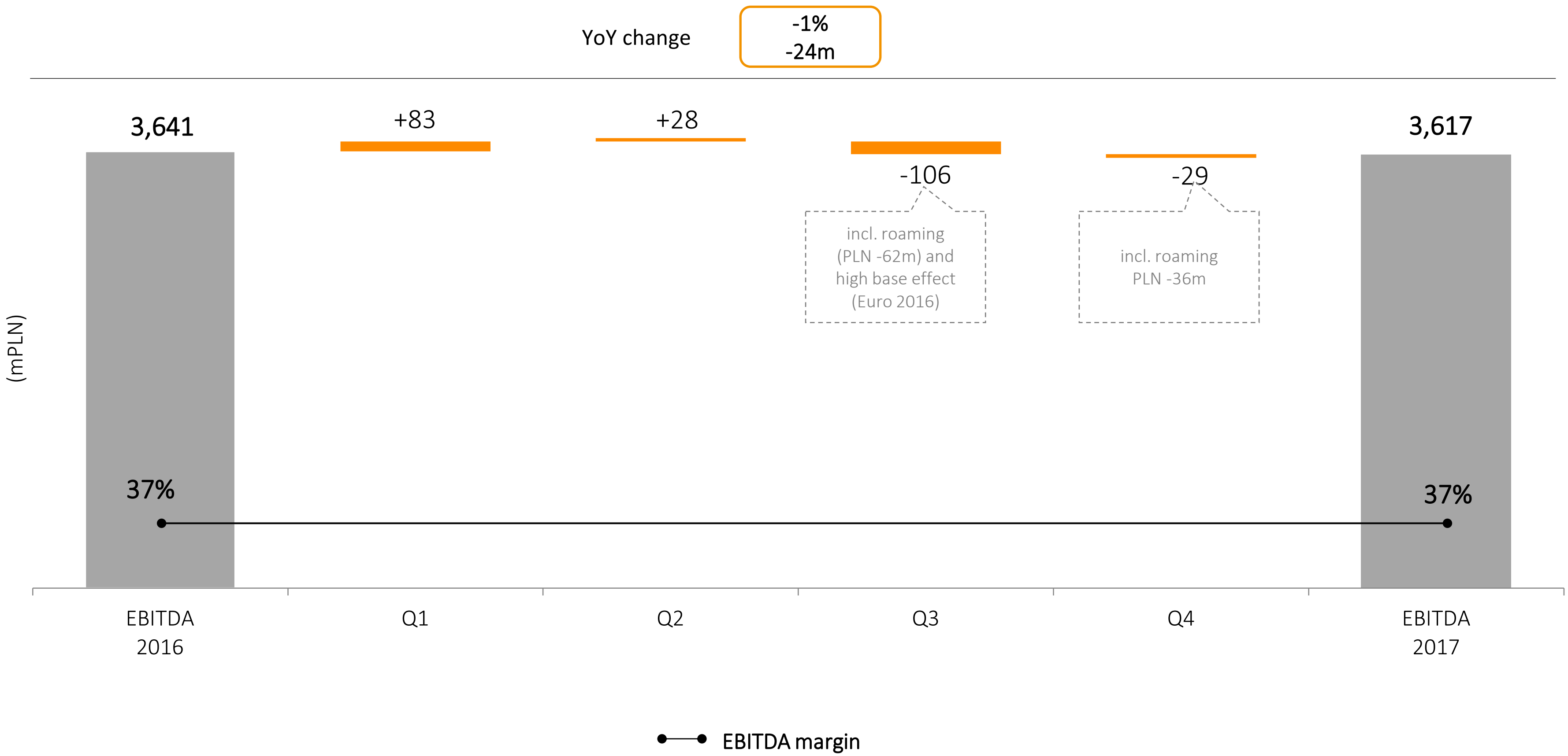
Revenue



Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

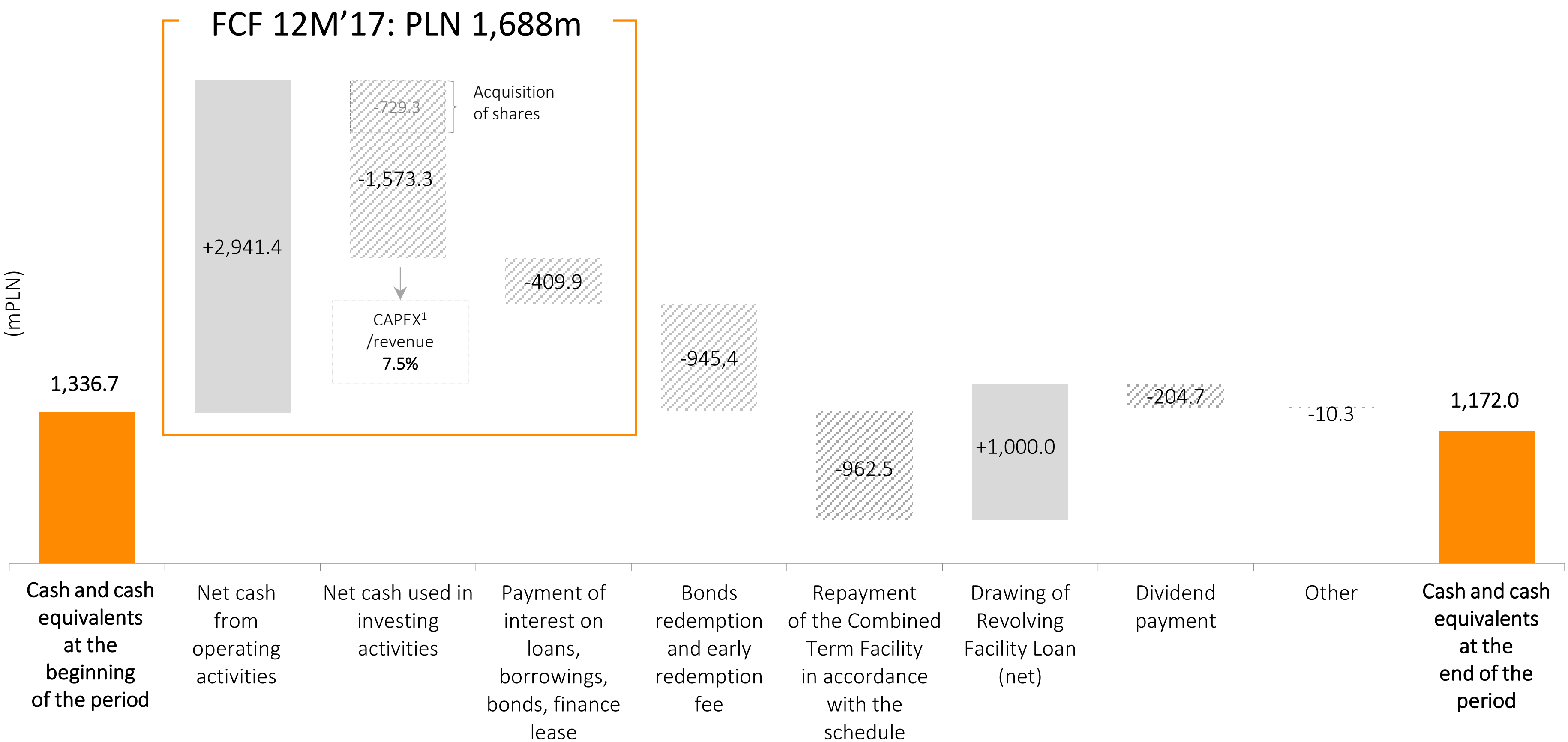
Stable EBITDA on a highly competitive market

EBITDA



Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

Cash flow statement in 2017

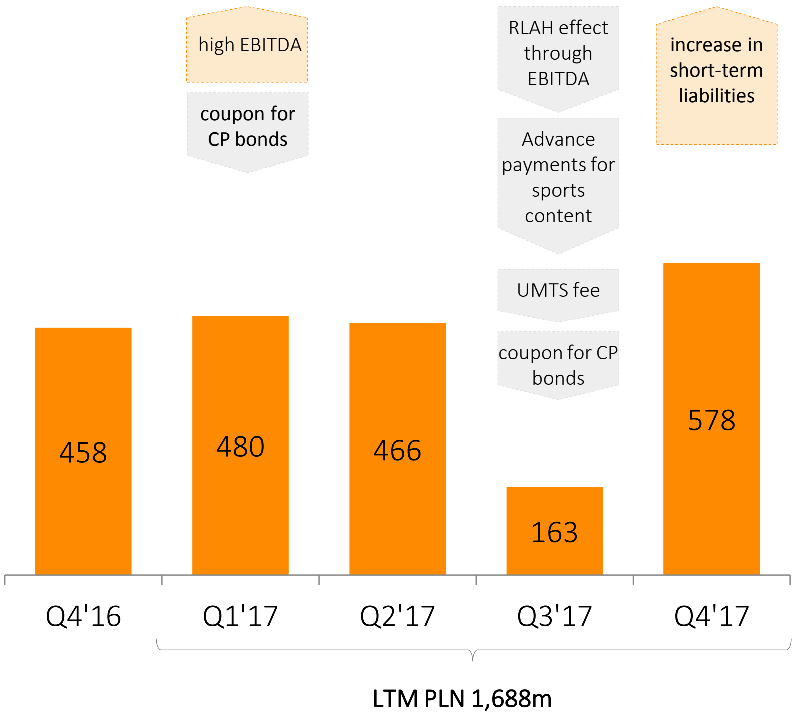


Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis
Note: (1) Expenses on the acquistion of property, plant and equipment and intangible assets

FCF – temporary reduction in working capital in Q4'17

mPLN	Q4’17	2017
Net cash from operating activities	854	2,941
Net cash used in investing activities	-916	-1,573
Payment of interest on loans, borrowings, bonds, finance lease	-90	-410
FCF after interest	**-153**	**958**
Acquisition of shares	731	729
Adjusted FCF after interest	**578**	**1,688**

Adjusted FCF after interest



Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

The Group's debt

mPLN	Carrying amount as at 31 December 2017
Combined Term Facility	9,633
Revolving Facility Loan	1,000
Series A Notes	1,018
Leasing and other	28
Gross debt	**11,680**
Cash and cash equivalents[1]	(1,172)
Net debt	**10,508**
EBITDA LTM	3,617
Total net debt / EBITDA LTM	**2.91**
Weighted average interest cost[2]	3.3%

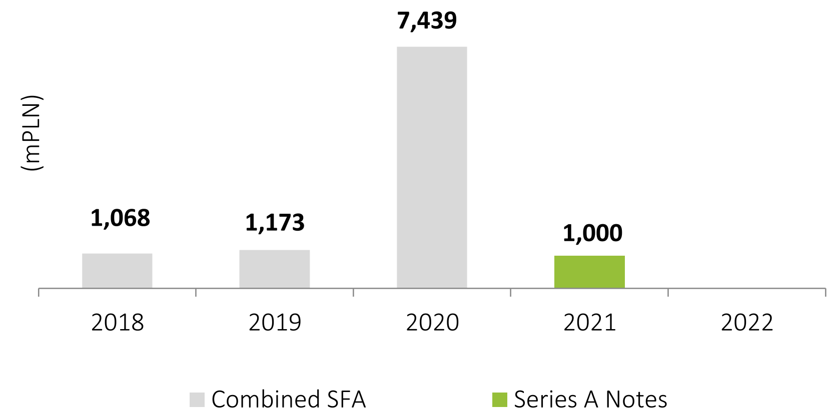
[1] This item comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.

[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 31 December 2017 assuming WIBOR 1M of 1.65% and WIBOR 6M of 1.81%.

[3] Nominal value of the indebtedness as at 31 December 2017 and 21 March 2018 (excluding the Revolving Facility Loan and leasing).

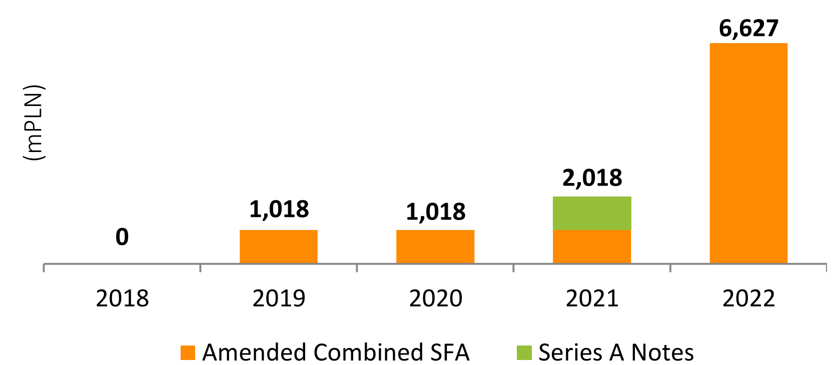
Debt maturing profile

(as at 31 December 2017)[3]



Debt maturing profile

(as at 21 March 2018)[3]



Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

Significantly improved conditions of the loan agreement

Longer repayment time

- The agreement's validity has been extended by 2 years (till September 2022)
- Repayments due in 2018 have been frozen to facilitate acquisition of Netia
- Equal quarterly repayments, in the amount of PLN 1,017.6 million yearly, in the years 2019-2021

Collaterals have been loosened

- Possibility of full release of the collaterals at the moment when the total net debt to EBITDA ratio goes to <3.0x (it has been <1.75x to-date)

Other key parameters have remained unchanged

- Possibility of dividend payout as long as the pro forma net debt to EBITDA ratio, accounting for the proposed dividend amount, does not exceed 3.2x
- No changes in the area of margins, scope of covenants, revolving loan limit or other essential parameters
- The nominal value of thus amended facility agreement includes the total outstanding debt amount (PLN 9,679.5 million) and up to PLN 1.0 billion of revolving loan

4. Summary and objectives for 2018

Objectives for 2017 have been achieved

✓
- Maintained audience levels for Polsat channels and very dynamic growth of advertising revenue in spite of the high base effect due to the UEFA EURO 2016 project

✓
- Stable growth of the contract RGUs through effective implementation of our multiplay strategy

✓
- High margins have been maintained, debt has been reduced, and high FCF level has been recorded

+
- Strategic acquisitions pursued in 4Q'17 with an aim to continue the execution of the Group's strategy and to build value for its shareholders

Our expectations and goals for 2018

- Continuing our strategy of maintaining the audience shares and growing advertising revenue at least in line with the TV advertising market growth dynamics

- Maintaining the growth rate of the number of services (RGUs) and customer base saturation with integrated services

- Maintaining high profitability (margins) of our business
- CAPEX at max. 10% of revenue[1]
- Maintaining high FCF generation level

- Finalizing the acquisition of Netia and starting to execute the synergies planned for the years 2019 – 2023
- Generating a return on investment in new TV channels

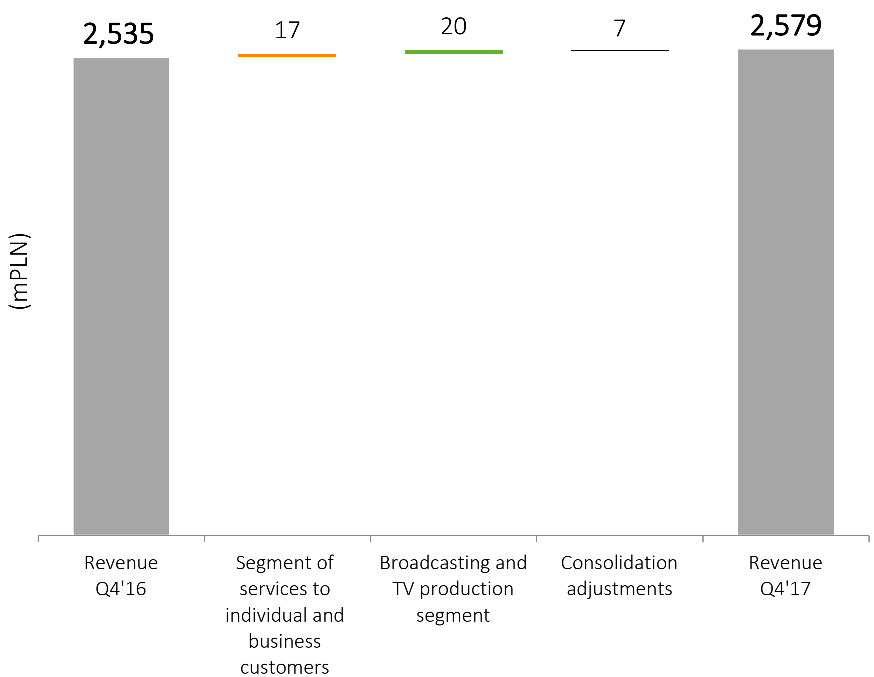
Note: (1) concerns Polsat Group, excluding the effect of Netia consolidation.

5. Additional information

Revenue and EBITDA – change drivers in Q4’17

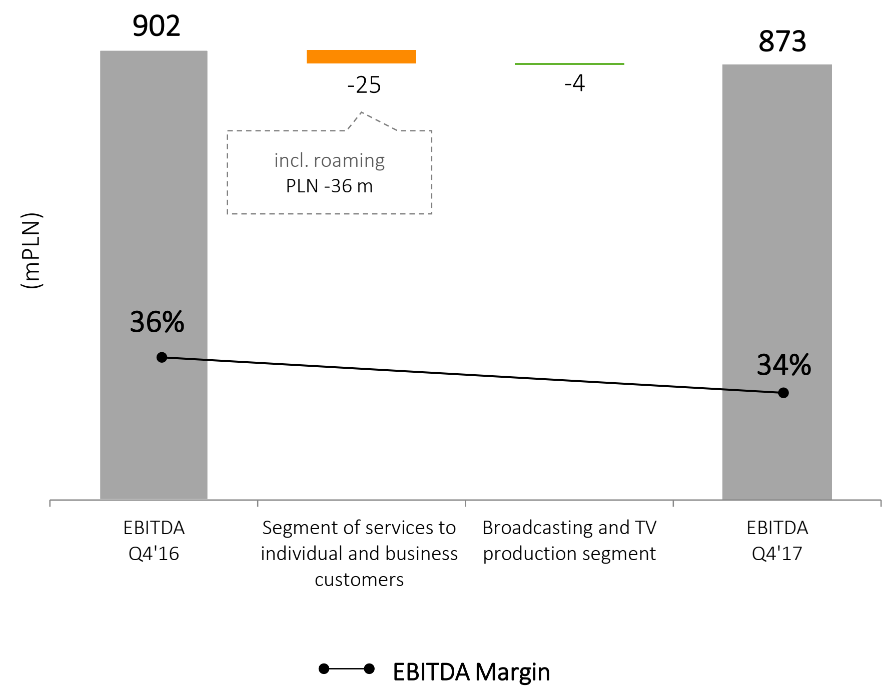
Revenue

YoY change **+2%** **+44 m**



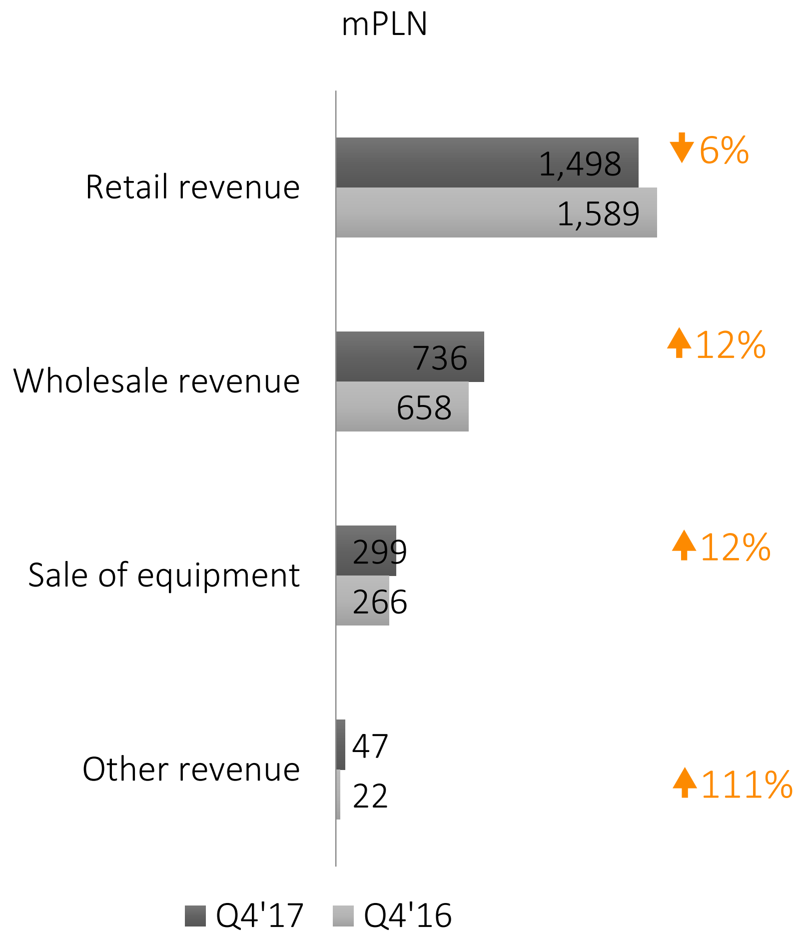
EBITDA

YoY change **-3%** **-29 m**



Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis

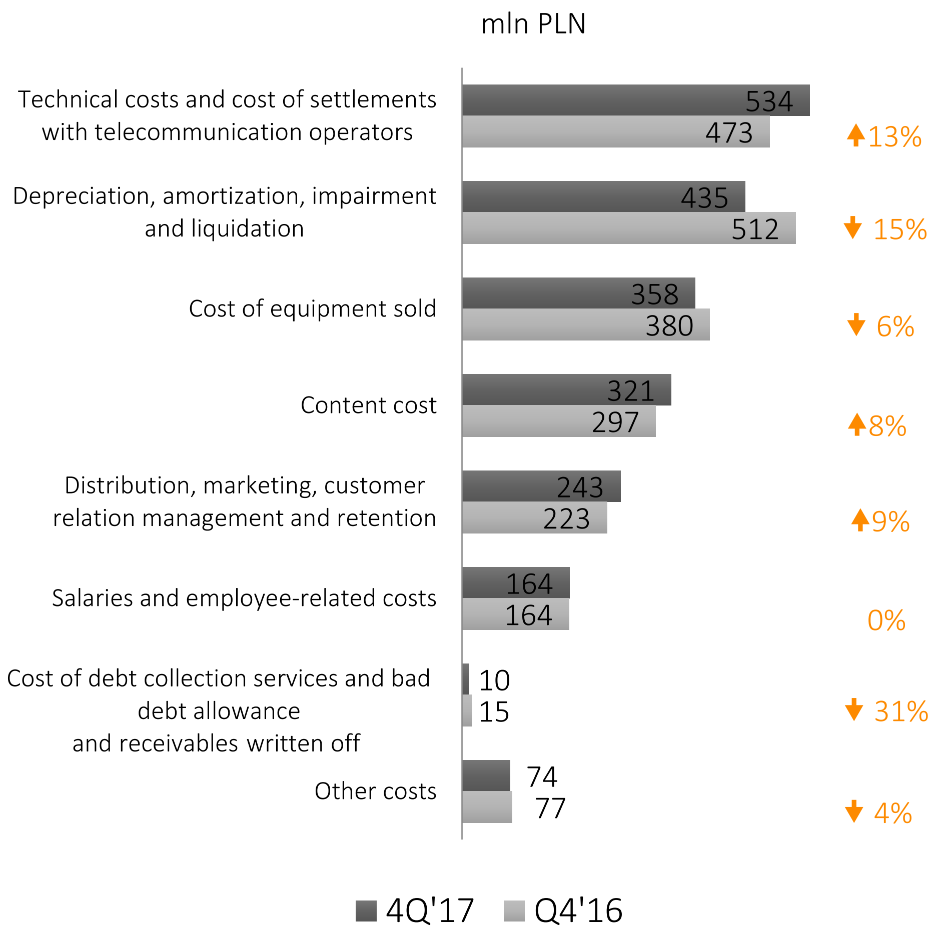
Revenue structure



- 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.
- Increase in wholesale revenue primarily due to higher interconnect revenue as a result of the increasing volume of traffic exchanged with other networks, higher advertising revenue as well as higher revenue from the wholesale sale of traffic in domestic and international roaming.
- Higher revenue from sale of equipment, mainly due to higher revenue from instalment 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 year ended December 31, 2017 and internal analysis

Operating costs structure



- 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.
- 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.
- Higher content costs mainly as a result of higher in-house production costs connected with expanding our programming offer.
- Higher distribution, marketing, customer relation management and retention costs, among others, due to the intensification of marketing campaigns and the recognition of higher costs of customer service and retention, associated, among others, 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 year ended December 31, 2017 and internal analysis

Results of the segment of services to individual and business customers

mPLN	Q4'17	*YoY change*	2017	*YoY change*
Revenue	2,195	*1%*	8,605	*2%*
Operating costs(1)	1,471	*3%*	5,510	*2%*
EBITDA	723	*-3%*	3,112	*1%*
EBITDA margin	32.9%	*-1.5pp*	36.2%	*-0.1pp*

Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Results of the broadcasting and TV production segment

mPLN	Q4'17	*YoY change*	2017	*YoY change*
Revenue	434	*5%*	1,434	*-3%*
Operating costs[1]	283	*10%*	933	*1%*
EBITDA	150	*-3%*	505	*-10%*
EBITDA margin	34.5%	*-2.6pp*	35.2%	*-2.8pp*

Source: Consolidated financial statements for the year ended December 31, 2017 and internal analysis
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation

Changes in international accounting standards

Years 2018-2019 will see the introduction of two new accounting standards which will substantially affect our results

IFRS15
Revenue from contracts with customers

- The standard concerns recognition of revenue from bundled contracts (e.g. a telecommunication service plus a subsidized handset) including, among others, the recognition in time of sales commissions paid for contracts concluded with customers.
- Upon the standard's implementation, there will be a change in allocation between revenues from sales of equipment and revenues from providing services (higher portion of total remuneration will be allocated to the equipment delivered in advance, which will require earlier revenue recognition)
- Taking into account the fact that subsidized sales is still a practice on the Polish mobile telephony market, change of the standard will result in retroactive allocation of part of the telecom operators' revenues, thus reducing their EBITDA figures in 2018.
- Equity of companies will increase at the same time, as a result of recognition of higher retained profits.

IFRS16
Leases

- The standard concerns change of the approach to operating leases which in accordance with IFRS16 will be fully recognized in the balance sheet as financial leases.
- In the case of Polsat Group, the standard mainly applies to lease of base stations locations, lease of fiber optic cables and ducts as well as lease of all types of space.
- In accordance with IFRS16, the lessee will recognize the right to use the leased asset as well as the corresponding lease liability.
- At the same time, the operating lease cost, which has so far been applied to OPEX and thus reduced EBITDA, will now be presented, in accordance with the requirements of IFRS16, as depreciation costs and financial costs in the contract period. Hence EBITDA will be significantly adjusted upwards.

The new standards will be diversely reflected in major financial parameters

	IFRS15 (impact on 2018)	IFRS16 (impact on 2019)
Impact on total revenue	During the first year we will see ”retroactive” allocation of part of the revenue to past periods	No impact
Impact on ARPU	Apart from moving revenue in time, part of retail revenue will be shifted to equipment sales category (not included in ARPU)	No impact
Impact on EBITDA	”Retroactive” allocation of part of the revenues to past periods will reduce the EBITDA, as reported according to IFRS15, for 2018	According to preliminary estimates, the impact on EBITDA may exceed PLN 300-400 million
Impact on depreciation costs	No impact	Assets deprecation on account of the right-of-use
Impact on gross profit	The impact on EBITDA will be carried over to gross profit	The recognized interest costs, together with the higher depreciation cost, will neutralize the positive impact of IFRS16 on EBITDA
Impact on balance sheet total	Assets will be recognized on account of the concluded contracts, reflecting the right to future remuneration in exchange for products or services which have been already forwarded to a customer	Assets will be recognized on account of the right-of-use, along with the corresponding lease-related liabilities (up to PLN 2 bn)
Impact on debt level	No impact	Lease-related liabilities will have the nature of a debt instrument. The impact of IFRS16 is however excluded from the loan documentation.
Impact on FCF	No impact	No net impact; movement between areas within FCF item

Note: The estimated impact applies to the companies which are currently the members of Polsat Group, with the impact on the results of Netia Group companies not included.

Polsat Group already applies numerous accounting rules which are part of the requirements of IFRS15

Installment plan sales of equipment	• In the case of the installment plan sales model, the margin on the equipment sold is recognized at the moment when a transaction is concluded • Installment sales have been conducted in Polsat Group since 2013 and at present it is the dominant model in the B2C postpaid segment, which limits the impact that IFRS15 will have on EBITDA	No material impact
Subsidized sales of equipment	• Subsidies continue to dominate in the B2B segment as well as in the case of mix-type products • In such a case it will be necessary to retroactively allocate the portion of a contract's remuneration to revenue from sales of the equipment to the periods in which the transactions were actually entered into. • The impact that this will have on EBITDA in the books will be diminishing successively in the future	ca. PLN 100 milion temporary reduction of the EBITDA for 2018 No impact on FCF
Settling sales commissions in time	• Already implemented by Polsat Group in the past	No material impact
Settling activation fees and cost of free usage periods in time	• Already implemented by Polsat Group in the past	No material impact

Note: The estimated impact applies to the companies which are currently the members of Polsat Group, with the impact on the results of Netia Group companies not included.

The new standard's impact on the results will gradually reduce during 2018

mPLN	Q1'18	Q2'18	Q3'18	Q4'18	2018
Estimated impact on total revenue	-35	-25	-25	-15	-100
Estimated impact on EBITDA	**-35**	**-25**	**-25**	**-15**	**-100**

- Estimates are based on the current plans of Polsat Group's companies concerning volumes and prices of the end-user equipment for retail customers. The final impact of the IFRS15 implementation on Polsat Group's reported results will depend, among others, on actual volumes of sales transactions including the equipment and prices of the equipment offered to customers, which will be a derivation of, among others, the general competitive situation on the market being beyond the control of the Company.
- In case of a significant in scale change concerning the forecasted impact of the IFRSF15 implementation on the results, the Company will publish new, revised forecasts.
- In order to maintain transparency of reported results, consolidated reports of Cyfrowy Polsat Group as well as presentations published on the 2018 results will include the income statements data which will allow to analyze changes in revenue and EBITDA maintaining the consistency of the applied accounting standards

Note: The estimated impact applies to the companies which are currently the members of Polsat Group, with the impact on the results of Netia Group companies not included.

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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