Financial results Q2’2020

27 August 2020

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 Q2’20
2. Operating results
3. Financial results
4. Summary and Q&A

1. Key events in Q2'20

Mirosław Błaszczyk

President of the Management Board, Cyfrowy Polsat

Key events in Q2’20

We efficiently adjusted the operations of Polsat Group companies to the state of epidemic introduced in Poland

We supported the Polish society and healthcare services in the fight against the coronavirus epidemic in Poland with donations of ca. PLN 30m

We strengthened the position of Polsat Group in the Internet through the rapid finalization of the acquisition of Interia.pl

We have started operations on the photovoltaics market introducing our new brand ESOLEO

We will pay a record high dividend of 640 million zlotys or 1 zloty per share

2. Operating results

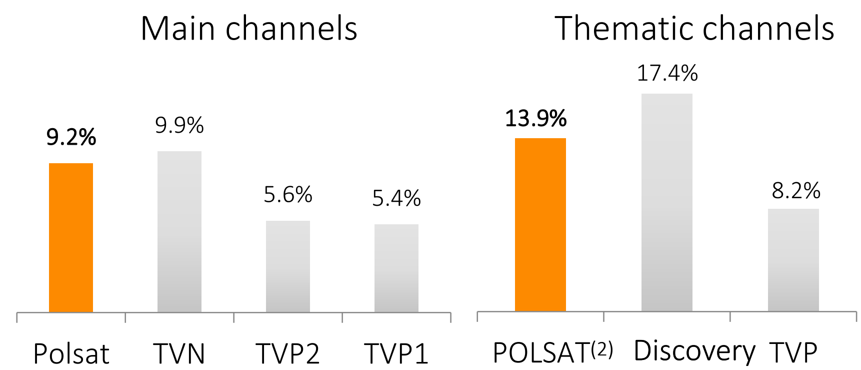
2.1 Broadcasting and TV production segment

Stanisław Janowski
President of the Management Board, Telewizja Polsat

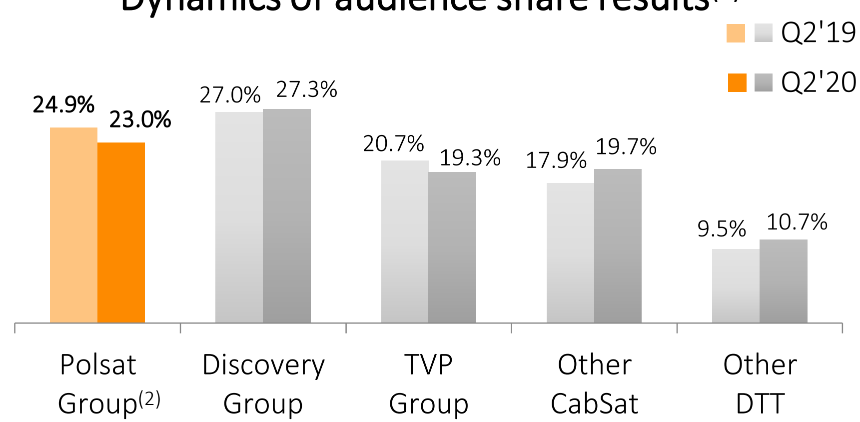
Viewership of our channels in Q2'20

- Polsat Group and its main TV channel were among the audience leaders in the commercial viewers' group, in spite of the unprecedented situation forcing us to withhold the broadcasting of the spring programming schedule and in spite of delays affecting numerous sports events

Audience shares[1]



Dynamics of audience share results[1]



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

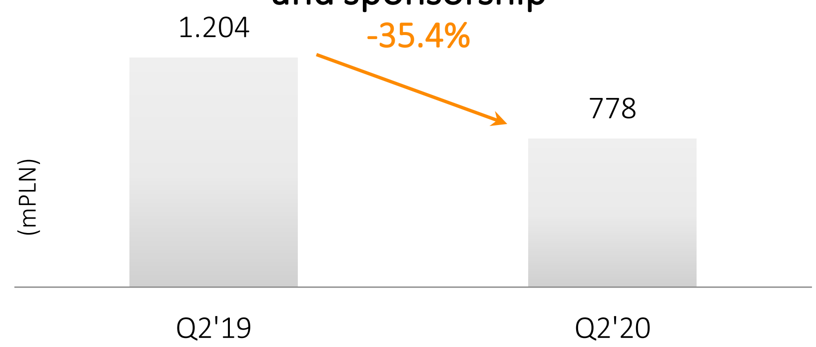
Note: (1) Audience shares include both live broadcasting and broadcasting during 2 consecutive days (i.e. Time Shifted Viewing)

(2) excluding partnership channels: Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, JimJam, CI Polsat, Focus TV, Nowa, TV Polsat Comedy Central Extra

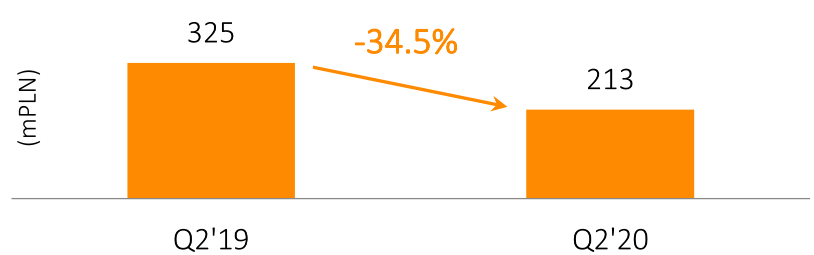
Position on the advertising market in Q2'20

- The dynamics of advertising and sponsorship revenues of TV Polsat Group in line with the market trend
- Our share in the TV advertising and sponsorship market increased to 27.4%

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

Results of the broadcasting and TV production segment in Q2’20

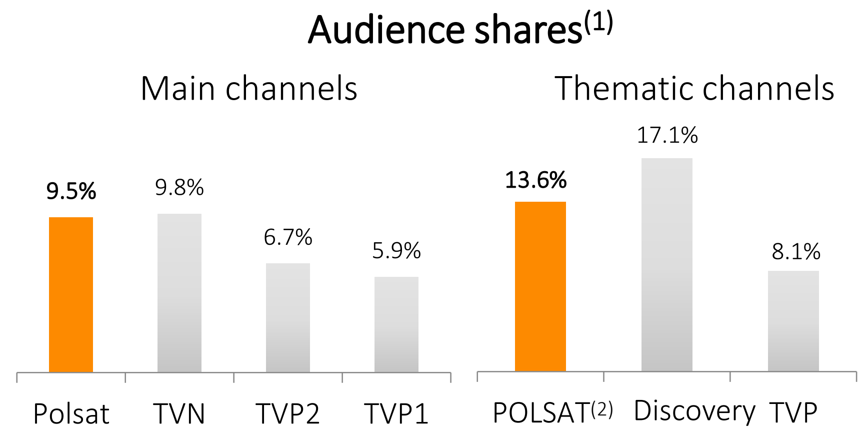
mPLN	Q2’20	*YoY change*	
Revenue	412	*-108*	*-21%*
Operating costs[1]	293	*-66*	*-18%*
Adjusted EBITDA[2]	122	*-39*	*-24%*
Adjusted EBITDA margin	29.7%	*-1.4pp*	-

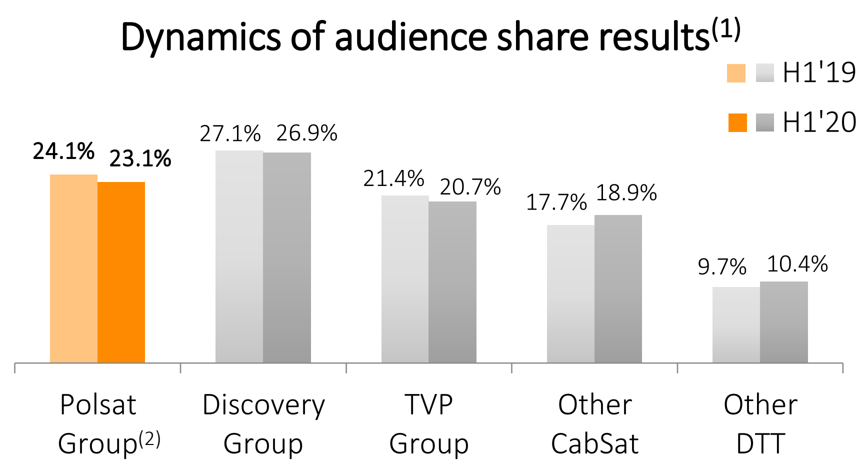
- Quick adjustment of the cost side to the condition of the advertising market has enabled substantial reduction of the pressure on EBITDA

Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation
(2) EBITDA excl. one-off costs related to COVID-19, incl. donations

Viewership of our channels in H1’20

- Polsat Group’s viewership in line with its strategy





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)

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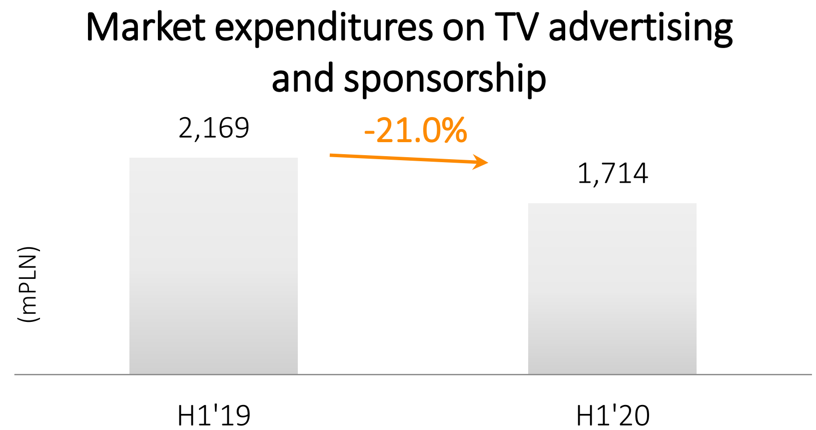
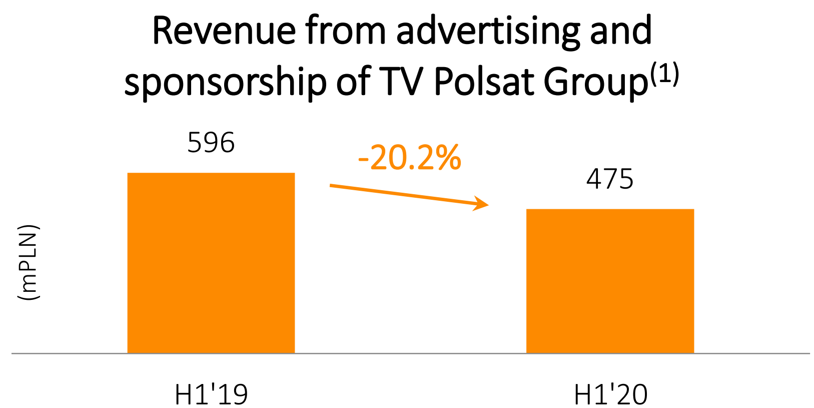
Position on the advertising market in H1’20

- The dynamics of advertising and sponsorship revenues of TV Polsat Group in line with the market trend
- As a result, our share in the TV advertising and sponsorship market amounted to 27.7%





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

Results of the broadcasting and TV production segment in H1’20

mPLN	H1’20	*YoY change*	
Revenue	873	*-102*	*-10%*
Operating costs[1]	604	*-62*	*-9%*
Adjusted EBITDA[2]	269	*-38*	*-12%*
Adjusted EBITDA margin	30.9%	*-0.6pp*	-

- In the half-year perspective the financial results of the broadcasting and TV production segment have been stabilized by a solid start of the year on the advertising market as well as by the good results of wholesale sales of TV Polsat channels to cable and satellite TV operators

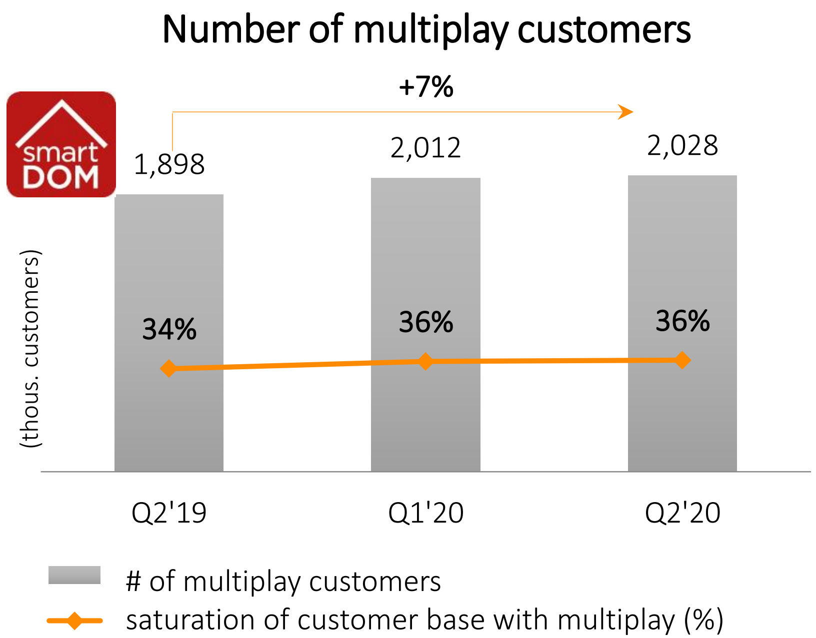
Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation
(2) EBITDA excl. one-off costs related to COVID-19, incl. donations

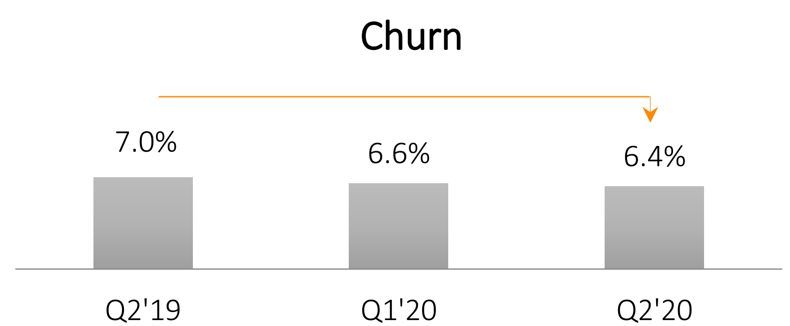
2.2 Services to individual and business customers

Maciej Stec
Vice President of the Management Board, Cyfrowy Polsat

Over 2 million customers of multiplay offer

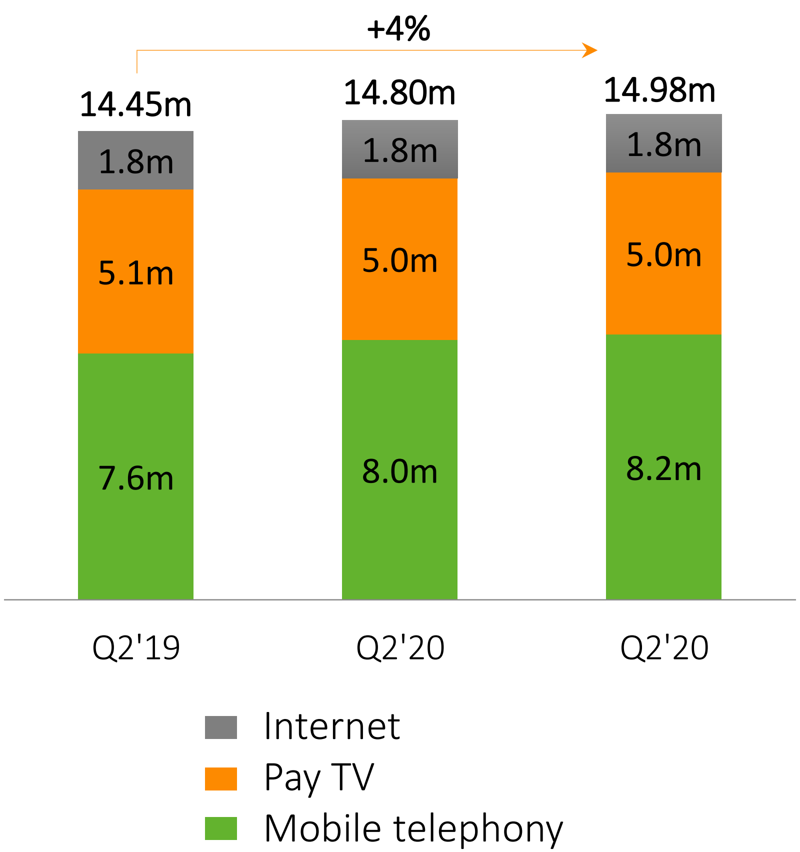
- Consistent implementation of our multiplay strategy results in a stable increase in the number of customers with bundled services by 130K YoY
- The number of RGUs owned by these customers increased to 6.19m
- Another quarter of very low churn level – mainly due to our multiplay strategy





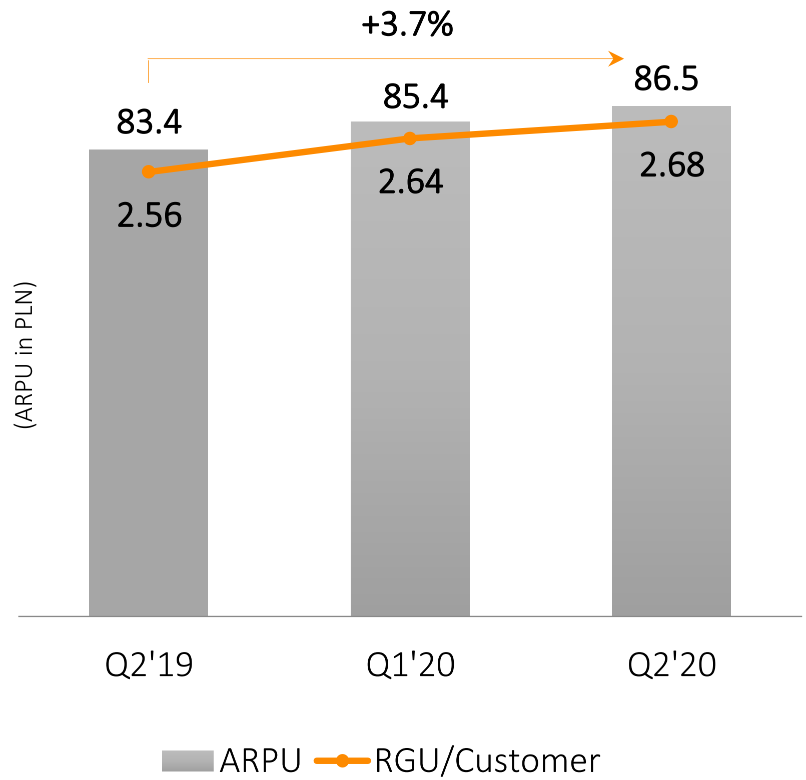
We maintained very high growth dynamics of contract services despite limitations in the sales network

- Increase in the number of contract services by 528K YoY
- Dynamic growth of voice services as a result of positive impact of our multiplay strategy and the introduction of attractive tariffs addressed to contract customers, as well as by high demand among business customers for m2m services
- Stable base of pay TV and Internet services



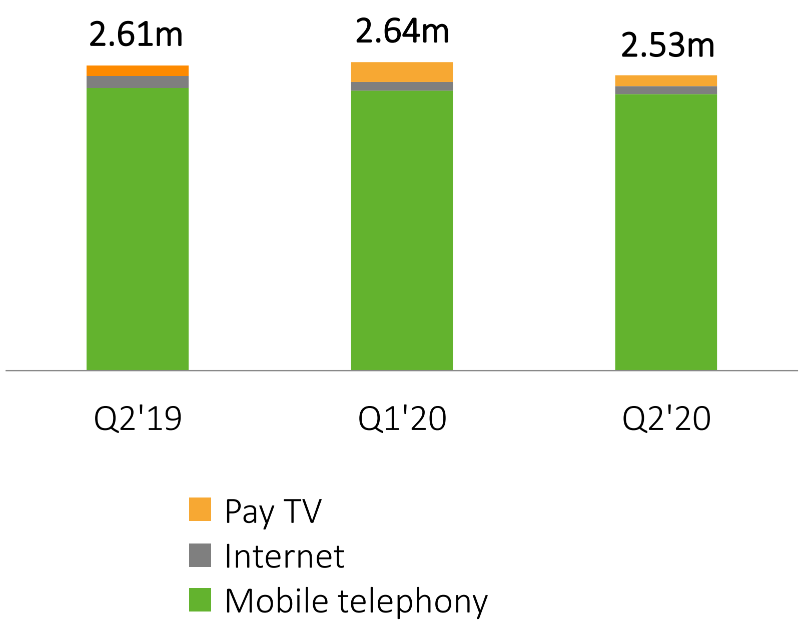
Growth of ARPU thanks to the consistent implementation of the multiplay strategy

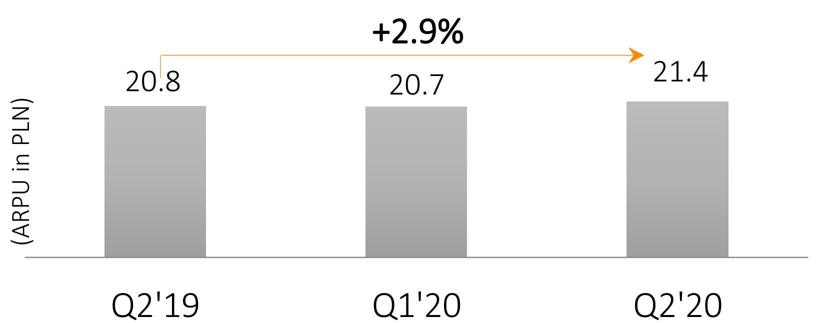
- 3.7% YoY increase in ARPU resulting from the consistent building of the value of the existing customer base and increase in revenues from interconnection settlements, related to a significant increase in voice traffic during the coronavirus epidemic
- Effective upselling of products under our multiplay strategy continues to be reflected in the growing RGU saturation per customer ratio



Lockdown restricted the possibilities of distribution of prepaid starter kits

- The decrease in prepaid services was largely due to the closure of part of our sales network during the lockdown caused by the COVID-19 pandemic and the lower number of foreigners visiting Poland
- Growing ARPU level is due to the higher number of voice calls and the resulting higher interconnect settlements

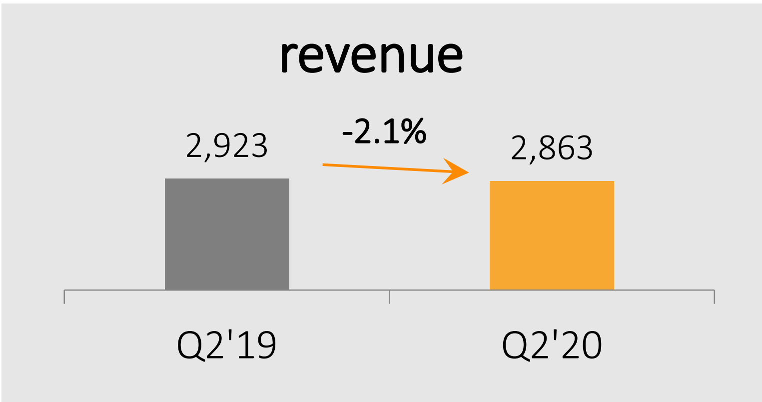


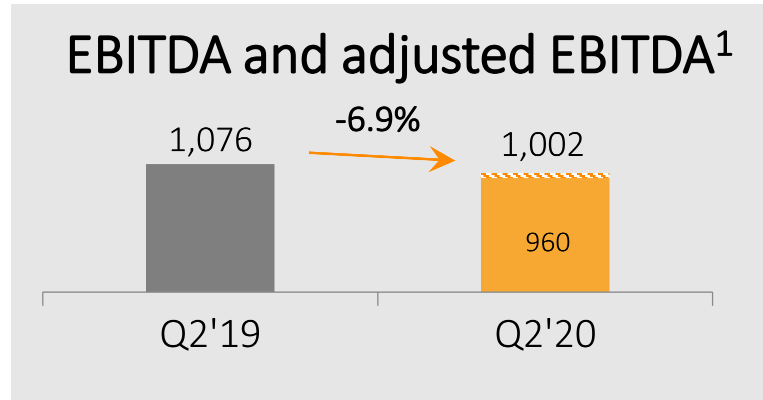


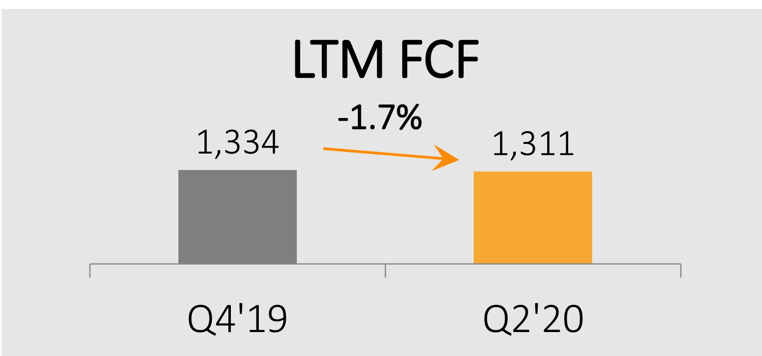
3. Financial results

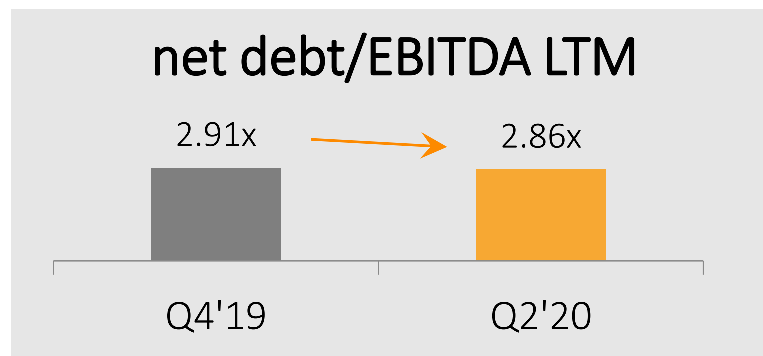
Katarzyna Ostap-Tomann
CFO, Cyfrowy Polsat

Results of the Group in Q2'20





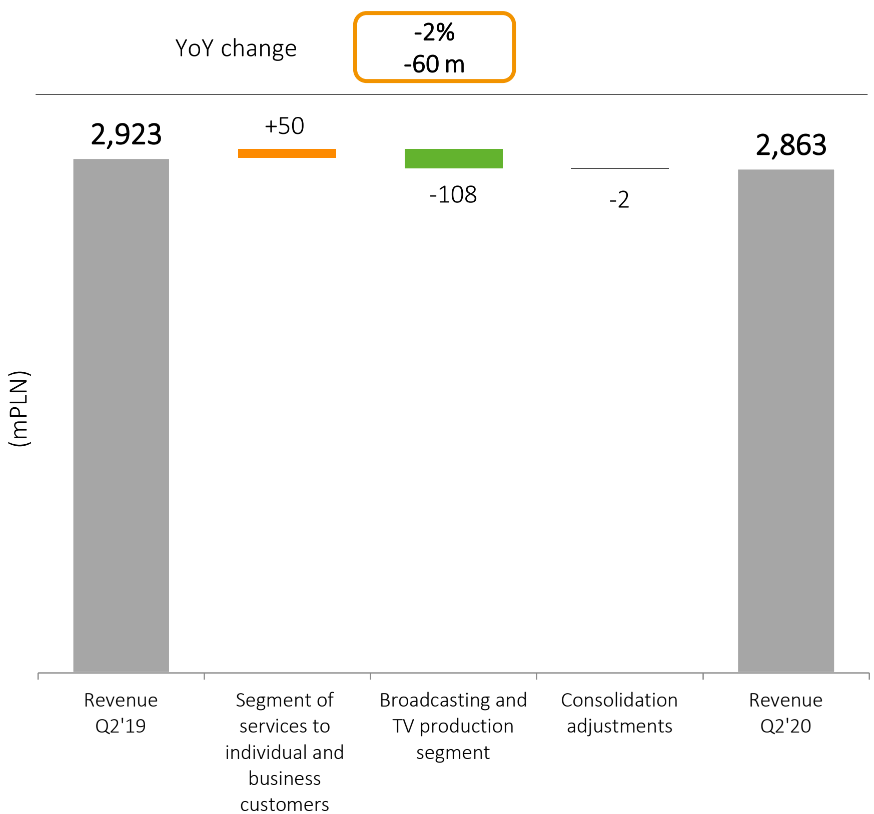




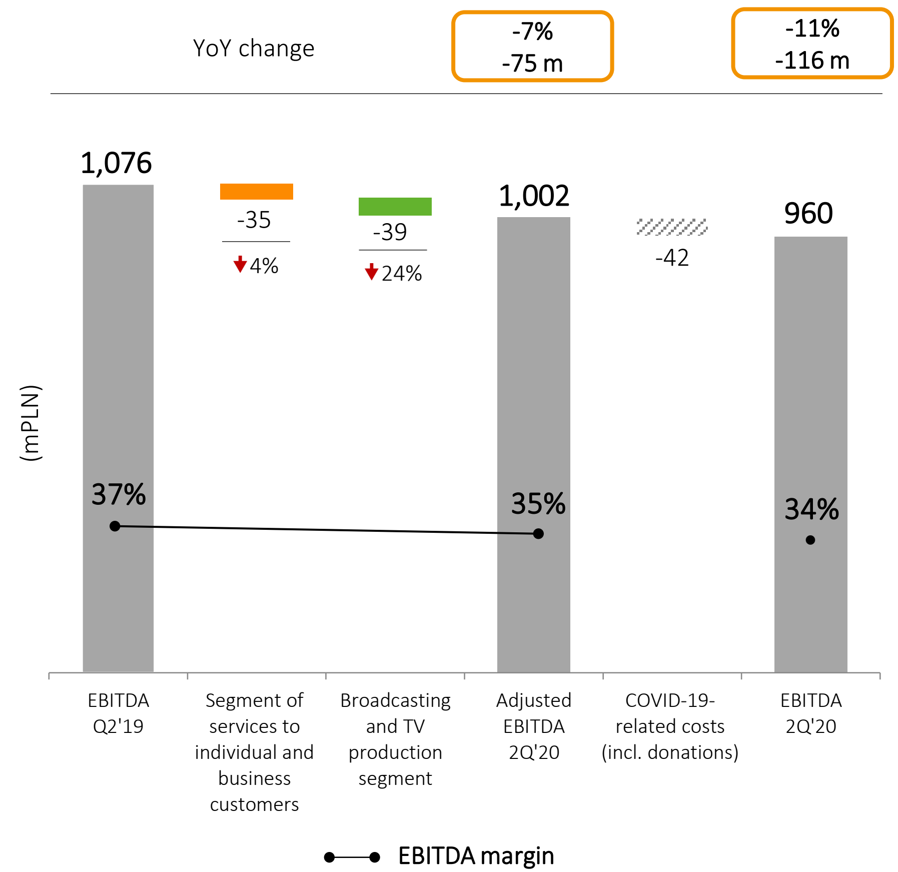
Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) EBITDA excl. one-off costs related to COVID-19 (incl. donations) in the amount of PLN 41.5m

Revenue and EBITDA – change drivers

Revenue



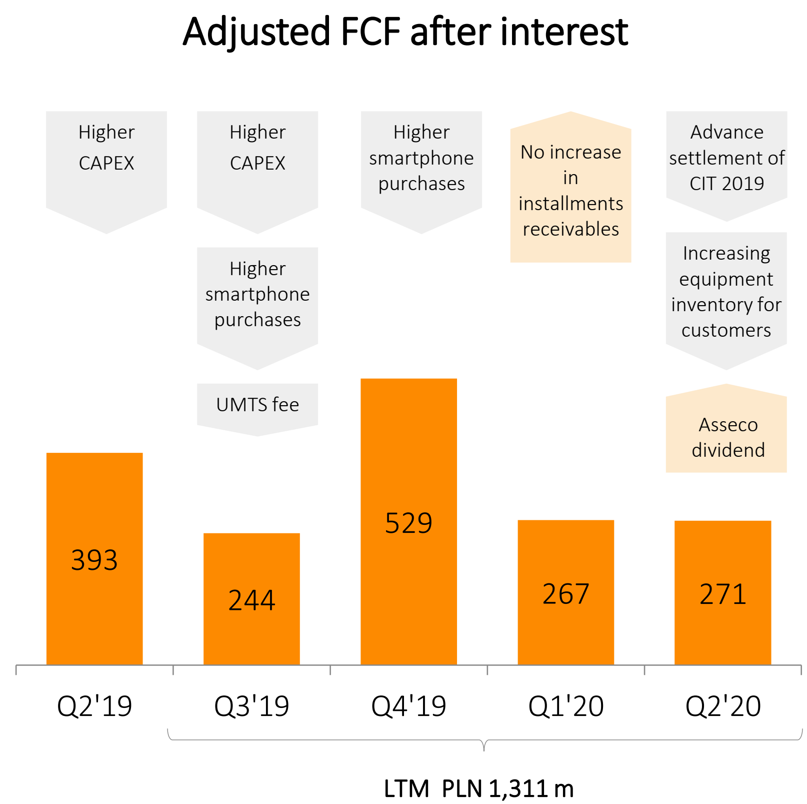
Adjusted EBITDA [1] and EBITDA



Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) EBITDA excl. one-off costs related to COVID-19 (incl. donations) in the amount of PLN 41.5m

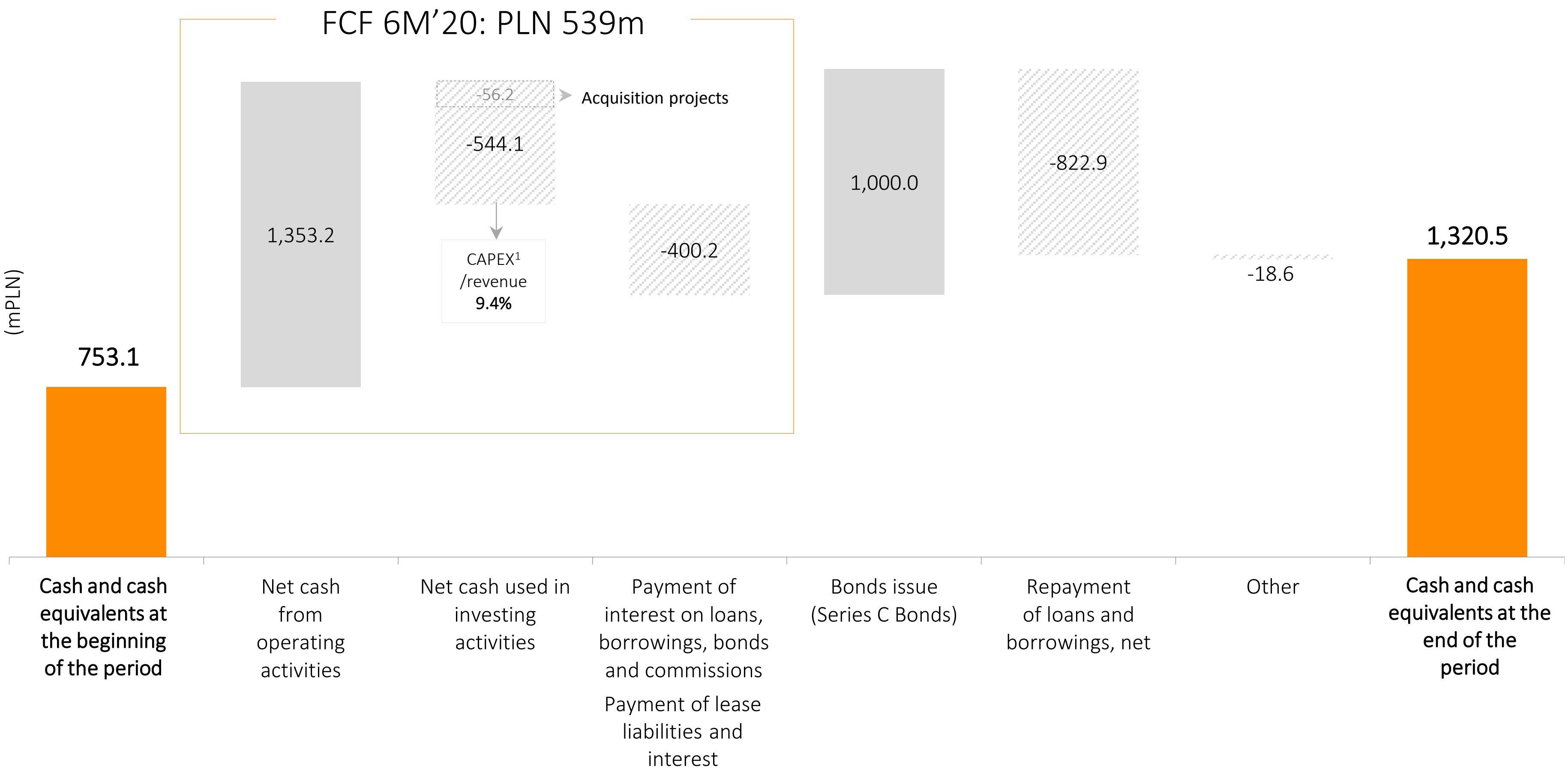
Stable cash flow generated

mPLN	Q2'20	6M'20
Net cash from operating activities	574	1.353
Net cash used in investing activities	-180	-544
Payment of interest on loans, borrowings, bonds and commissions	-109	-193
Payment of lease liabilities and interest	-88	-207
FCF after interest	**197**	**409**
Acquisition projects	0	56
Bank fees and other costs of organizing refinancing	32	32
COVID-19-related costs (incl. donations)	42	42
Adjusted FCF after interest	**271**	**539**



Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses

Increased level of cash was used to finance the acquisition of Interia.pl



Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) Expenses on the acquisition of property, plant and equipment and intangible assets

The Group's debt

mPLN	Carrying amount as at 30 June 2020
SFA (Tranche A and B)	9,283
Revolving Credit Facility (RCF)	335
Series B and C Bonds	2,007
Leasing and other	1,445
Gross debt	**13,070**
Cash and cash equivalents[1]	(1,321)
Net debt	**11,749**
EBITDA LTM[2]	4,111
Total net debt / EBITDA LTM	**2.86x**
Weighted average interest cost [3]	1.9%

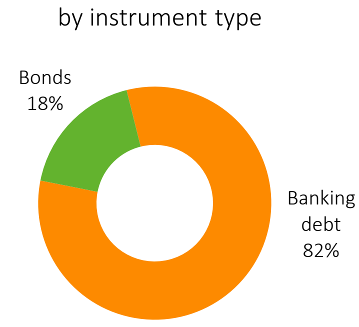
[1] This position comprises cash and cash equivalents, incl. restricted cash, as well as short-term deposits.

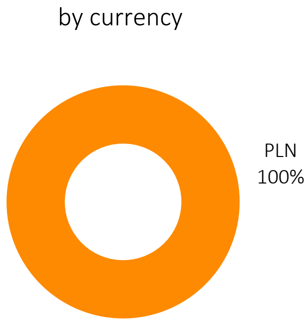
[2] In accordance with the requirement of the SFA, the EBITDA LTM calculation includes the adjusted EBITDA amount in the second quarter of 2020, i.e., without the COVID-19 related costs, including donations.

[3] Prospective average weighted interest cost of the SFA (including the Revolving Credit Facility) and the Series B and Series C Bonds, excluding hedging instruments, as at June 30, 2020 assuming WIBOR 1M of 0.23% and WIBOR 6M of 0.28%.

[4] Nominal value of the indebtedness as at 30 June 2020 (excl. the Revolving Facility Loan and leasing).

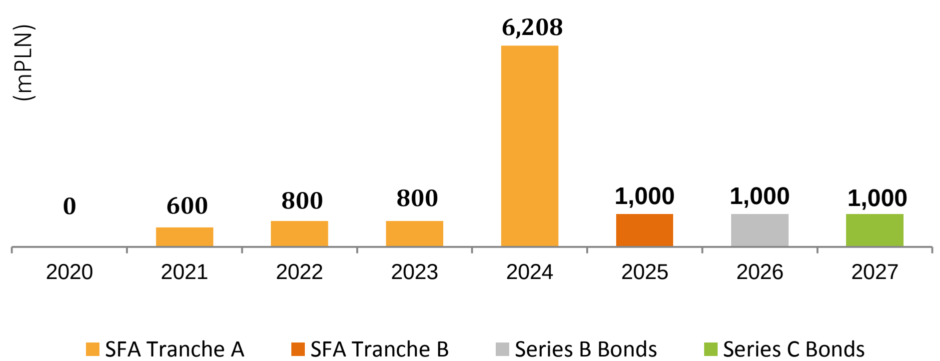
Debt structure[4]





Debt maturing profile[4]

As at 30 June 2020



Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses

4. Summary and Q&A

Mirosław Błaszczyk

President of the Management Board, Cyfrowy Polsat

Summary and plans for the second half of the year

COVID-19

We posted very good operational and financial results despite the pandemic and the ensuing restrictions

eSOLEO

We have begun to build the position of the ESOLEO brand on the promising market of photovoltaic installations

interia

We are developing and integrating Interia.pl in Polsat Group structures

plus
Lider technologii 5G

We are continuing the roll out of our cutting-edge 5G network based on the unique 2.6 GHz TDD spectrum

5. Additional information

5.1 Impact of COVID-19 on the activities of Polsat Group

Our business has demonstrated high resistance to the disruptions caused by COVID-19

- Our **diversified and subscription-based** business model assures predictable and **stable revenue streams**

- Continued **high demand for communication services and home entertainment has not suffered,** even in spite of the temporary closure of part of our sales network

- Reduced cross-border mobility exerts **temporary pressure on roaming revenues** and sales of prepaid starter kits

- TV and the Internet are the advertising channels that are **most resistant to the turbulences caused by COVID-19**, currently the prospects for the third quarter seem to be improving significantly

- We continuously generate **high cash flows**, which assures **security** in terms of current liquidity

Polsat Group's stable and safe business model allows comfortable day-to-day operations while simultaneously supporting the Polish society in the struggle against the pandemic

COVID-19 exerts both positive impact and negative pressure on our financials

positive impact factors

- Demand for bigger data bundles due to higher data usage as a result of remote work and home education, both in the B2C and B2B segments
- Higher demand for premium content (pay TV / VOD) as a result of #stayhome action, which was reflected by customers migrating to higher end service packages
- Further reduction of churn
- Positive impact on retail revenues thanks to changes of mobile service prices in 2019/2020
- Higher IC revenue and costs due to higher voice traffic
- Less demanding labor market
- Interest rate reduction by 140 basis points, leading to reduced cost of debt servicing

negative pressure factors

- Uncertainties as regards the duration of the coronavirus pandemic and its ultimate impact on global, European and Polish economies
- Decrease of the advertising market value due to the inevitable slowdown of global, European and Polish economies
- Uncertainties surrounding the consequences of postponement of major sports events
- Significantly lower roaming traffic, even in spite of the borders having been opened
- Lower sale of prepaid starter sets during the lockdown and reduced number of foreign visitors coming to Poland
- Should the situation on the labor market deteriorate further, potential decrease of sale of mobile handsets/equipment can be expected due to the customers' lower propensity to buy expensive smartphones
- Potential bankruptcies, especially in the SOHO segment

5.2 Financial results Q2'20

Results of the segment of services to individual and business customers

mPLN	Q2'20	*YoY change*	
Revenue	2,519	*50*	*2%*
Operating costs(1)	1,666	*106*	*7%*
Adjusted EBITDA(2)	879	*-35*	*-4%*
Adjusted EBITDA margin	34.9%	*-2.1pp*	-

- Growth of sales revenues as a result of higher interconnect settlements and higher revenue from sale of equipment
- These factors translate in a similar degree into growth of costs, which in combination with the pressure on roaming revenue and the additional content costs resulting from broadcasting of TV channels showing PKO BP Ekstraklasa football premiership matches is reflected in the level of adjusted EBITDA result

Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) Costs exclude depreciation, amortization, impairment and liquidation
(2) EBITDA excl. one-off costs related to COVID-19, incl. donations

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- Quick adjustment of the cost side to the condition of the advertising market has enabled substantial reduction of the pressure on EBITDA

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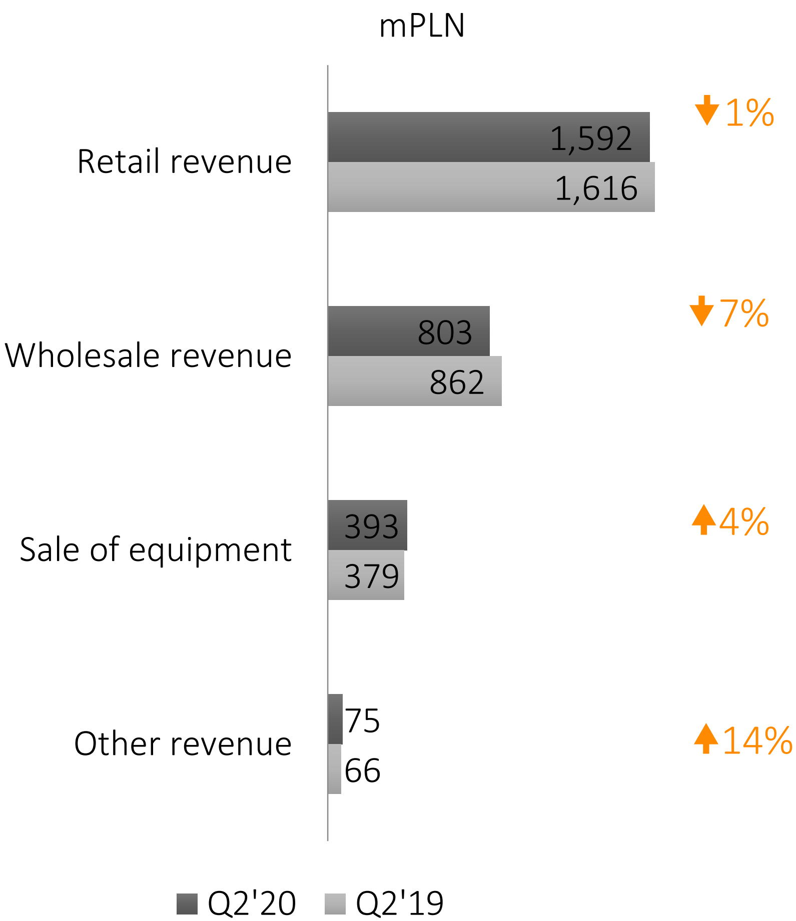
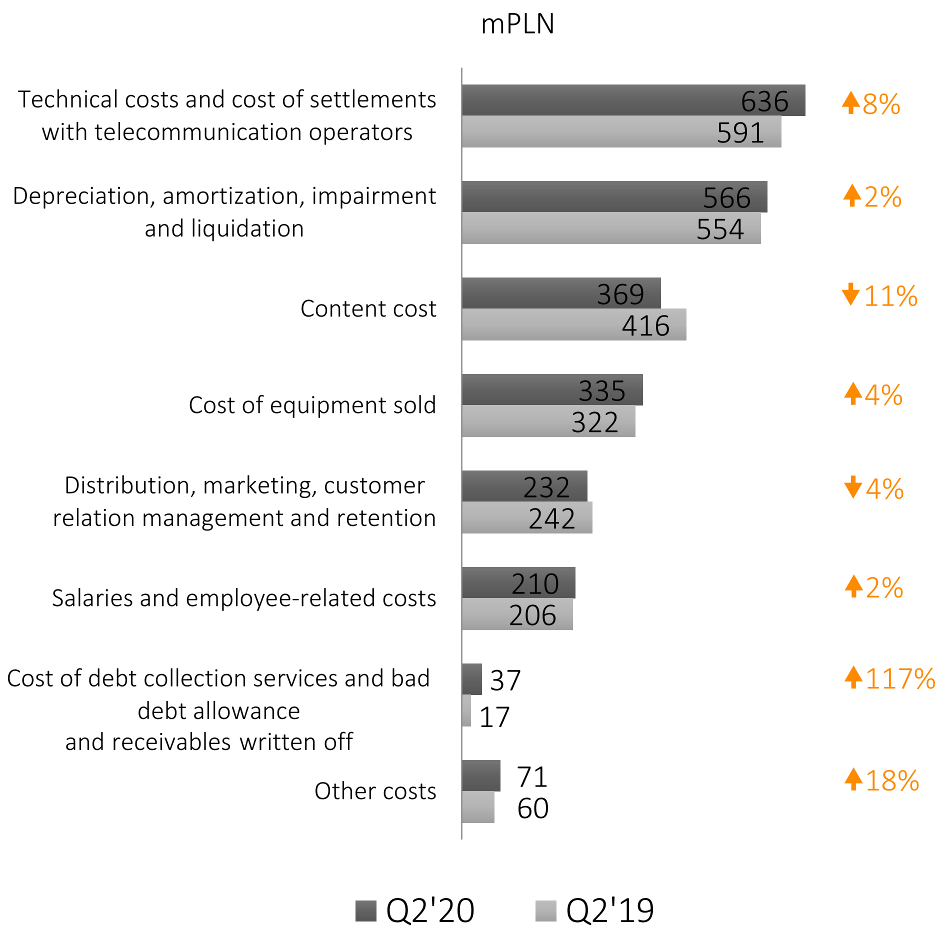
Revenue structure



- Lower level of **retail revenue** mainly due to lower revenue from international roaming from individual and business customers, which resulted from the restrictions in movement introduced in connection with the coronavirus pandemic and lower willingness to travel abroad.
- Lower **wholesale revenues** as a result of significant decrease in TV advertising revenue during the COVID-19 epidemic which was not fully compensated for by higher interconnect revenue, resulting from strong growth of voice traffic volumes and by higher revenue from the sales of channels to cable and satellite operators.
- Increase in revenue from **sale of equipment.** The temporary closure of part of the physical sales network in March and April 2020 due to the COVID-19 epidemic had only an interim effect on the volume of equipment sales thanks to, among others, our efforts to replace this form of sales with remote channels and the substantial intensification of sales in May and June 2020.
- The increase in **other revenue** was mostly due to higher revenue from interest on installment plan sales of equipment to residential customers and the consolidation of Alledo.

Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses

Operating costs structure



- Higher **technical costs and cost of settlements with telecommunication operators** mainly from higher interconnect costs on higher volumes of outgoing traffic, which was associated with the coronavirus epidemic.
- Lower **content cost** was mostly the result of lower costs of internal production and amortization of sport rights, which was a direct consequence of the coronavirus epidemic, and savings introduced by certain TV channels due to the significant weakening of the TV advertising market. This decrease offset an increase in the cost of programming licenses associated with, among others, the decision to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games.
- Higher **costs of equipment sold** corresponds with higher revenue from the sale of equipment.
- Higher **of debt collection services and bad debt allowance and receivables written off** resulting from a higher value of equipment sold to our retail customers in installments as well as higher write-offs due to a decision to change the vindication method with regard to overdue receivables resulting from unsatisfactory prices on the debt collection market.

Source: Consolidated financial statements for the 6-month period ended 30 June 2020 and internal analyses
Note: (1) EBITDA excl. one-off costs related to COVID-19 (incl. donations) in the amount of PLN 41.5m

Contact

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