Analyst and investor briefing Q1'19

- *Starting from January 1, 2019, the Group is obligated to apply IFRS 16 Leases. The implementation of IFRS 16 results in a decrease of rental costs (included previously mainly in the "Technical costs and cost of settlements with telecommunication operators" and "Other costs" categories), which leads to increases of EBITDA, depreciation and financial costs as well as an increase of total assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) and an increase of net debt ratio. The Group has decided to apply IFRS 16 retrospectively without restating the comparative figures for 2018. In order to ensure full comparability of the data for the three-month periods ended March 31, 2019 and March 31, 2018, financial figures in the income statement for the three-month period ended March 31, 2019 have been presented in two ways: in accordance with IAS 17 binding until December 31, 2018 and in accordance with IFRS 16 applicable from January 1, 2019.*
- In Q1'19 Polsat Group's revenue based on hitherto applicable accounting standards increased YoY by 18.6% to **PLN 2,782m (revenues after the implementation of IFRS 16 amounted to PLN 2,792 m)**. Revenue growth was mainly affected by the following factors:
  - The decrease of **retail revenue** was primarily due to the consolidation of Netia Group's results, effective May 22, 2018. Excluding the impact from the above mentioned factor, retail revenue decreased year on year by approx. 1% as lower revenue from voice services was compensated by higher revenue from pay TV and data transmission services.
  - The increase in **wholesale revenue** was primarily due to consolidating results of Netia Group. Excluding the increase resulting from the consolidation of Netia Group, wholesale revenue grew by approximately 15% and the increase was triggered primarily by the inclusion of new TV channels to our wholesale offering, in particular the Eleven Sports Network and Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators. Furthermore, we recorded higher revenue from the sale of programming sublicenses and higher revenue from reselling the capacity of our mobile network to MVNO customers.
  - Higher revenue from **sale of equipment**, mainly due to a higher share of more expensive models among the end-user devices sold, which was also reflected in the higher cost of equipment sold, while sales volumes for end-user devices decreased year on year.
- In Q1'19 Polsat Group's costs based on hitherto applicable accounting standards amounted to **PLN 2,317m** and increased YoY by 20.9% **(costs after the implementation of IFRS 16 amounted to PLN 2,317m)**. Their level was mainly influenced by the following factors:
  - Increase in **technical costs** mainly due to the consolidation of Netia Group's results. After excluding this factor, cost of settlements with telecommunication operators increased by approx. 5%. This increase resulted mainly from higher provisions for the cost of electricity and higher cost of traffic termination and transit.
  - Increase in **content costs** was mostly the result of higher cost of internal and external production and amortization of sports rights due to, among others, the consolidation of the Eleven Sports Networks channels and the launch of the Polsat Sport Premium channels broadcasting, among others, football games of the UEFA Champions League and the UEFA Europa League. The consolidation of Netia Group's results was an additional factor contributing to the increase of content costs.
  - Increase in **distribution, marketing, customer relation management and retention costs** was mainly due to the intensification of marketing campaigns for new services as well as the consolidation of Netia Group's results and the inclusion of marketing campaign costs of Eleven Sports Network channels.
  - Higher **salaries and employee-related costs** mainly due to the consolidation of results of: Netia Group, Coltex and Eleven Sports Network, as well as due to the conversion of employment status of part of temporary employees into permanent jobs. Moreover, we recorded higher costs of employee trainings.
  - The decrease of **depreciation, amortization, impairment and liquidation costs** (excl. impact from the consolidation of Netia Group, a decrease was by ca. 20%) due to, among others, the termination of a depreciation period related to the 800 MHz bandwidth license and the extension of amortization periods of certain elements of the mobile network.
- Revenue from TV advertising and sponsorship generated by Polsat Group grew YoY by 0.5%, to PLN 271m, despite the market dropping by 3.1% yoy (high base effect). As a result, our share in the TV advertising and sponsorship market increased to 28.0%.
- EBITDA of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 922m** and recorded a YoY increase of 3.6%, with an EBITDA margin of **33.1%. EBITDA after the implementation of IFRS 16 amounted to PLN 1,038m with an EBITDA margin of 37.2%.**
- EBIT of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 482m** and increased YoY by 10.7%. **EBIT after the implementation of IFRS 16 amounted to PLN 491m.**
- Finance costs, net based on hitherto applicable accounting standards, increased by 42% YoY. Lower finance costs, net in the corresponding period, i.e., in Q1'18, was due to a one-time non-cash item related to the renegotiations of the terms

and conditions of the Combined SFA which resulted, among others, in extending both the agreement's term and the amortization period of costs of acquired financing.

- Net profit of the Group, based on hitherto applicable accounting standards, increased by 2.9% YoY to **PLN 301m. Net profit of the Group after the implementation of IFRS 16 amounted to PLN 297m.**
- Adjusted FCF after interest amounted to **PLN 168m** in Q1'19 (PLN **1,387m** in the twelve-month period, **in line with the company's expectations**). The amount of FCF in Q1'19 was affected by the payment for investments made in the end of 2018, the payment in Q1'19 for the sports content purchased in the past, as well as the semi-annual coupon on Series A bonds.
- The main bank covenant – net debt/EBITDA LTM **based on hitherto applicable accounting standards (terms and conditions of the Combined SFA)** fell to **2.66x** in Q1'19.
- Key performance indicators in Q1'19 (excl. consolidation of Netia Group's results):
  - Total number of RGUs at the level of **16.974m**, 84.4% of which are RGUs provided in the contract model,
  - Contract customer base totaled **5.673m:**
    - Contract ARPU amounted to **PLN 82.9** in Q1'19, **growing YoY by 1.2%** compared to PLN 81.9 in Q1'18,
    - RGU saturation of **2.53** per customer with an upward trend,
    - Churn is still in a downward trend, once again breaking its record low level **(7.2%).**
  - Growth of the total base of contract services by **535K** YoY (3.9%),
    - Increase of **455K** (6.5%) of mobile telephony RGUs thanks to the positive effect of our multiplay strategy and good reception by customers of the new, simple tariffs launched by Plus in February 2018, supported by good sales in the B2B segment (m2m),
    - Growth of the number of pay TV RGUs by **93K** (1.9%), driven by continued demand for the Multiroom service, as well as good sales of paid OTT services,
    - Stable base of mobile internet services.
  - Continuation of the multiplay strategy:
    - Consistent implementation of our multiplay strategy results in a stable increase in the number of bundled services customers by 283K YoY,
    - The total number of customers using bundled offers exceeded the level of 1.85m,
    - The percentage of customers using multiplay packages reached 32.7%,
    - The number of RGUs owned by customers of bundled services increased to 5.57m,
    - Record low churn (7.2%), mainly thanks to our multiplay strategy.
  - Stable, high prepaid ARPU:
    - Stable q/q prepaid base of 2.6m services, despite seasonal factors, resulting from the successful sale of TV packages,
    - High, stable ARPU at PLN **20.1** in Q1'19.

Financial results of Cyfrowy Polsat Group based on currently applicable IFRS 16 standard

in mPLN	Q1'19	Market consensus[1]	*Difference*
Revenue, incl.:	**2,792**	**2,760**	*1.2%*
- Retail revenue	1,606	n/a	n/a
- Wholesale revenue	773	n/a	n/a
- Sale of equipment	347	n/a	n/a
- Other revenue	66	n/a	n/a
Operating costs, incl.:	**2,317**	**n/a**	**n/a**
- Technical costs and cost of settlements with telecommunication operators	564	n/a	n/a
- Depreciation, amortization, impairment and liquidation	547	n/a	n/a
- Cost of equipment sold	289	n/a	n/a
- Content costs	367	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	245	n/a	n/a
- Salaries and employee-related costs	213	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	35	n/a	n/a
- Other costs	58	n/a	n/a
EBITDA	**1,038**	**1,024**	*1.4%*
EBITDA Margin	37.2%	37.1%	*0.1pp*
EBIT	491	430	*14.4%*
Net profit	297	239	*24.5%*

[1] *Based on estimates prepared by: Santander, DM BOŚ, DM mBanku, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Wood&Co*

Financial results of Cyfrowy Polsat Group based on hitherto applicable accounting standards (IAS 17)

in mPLN	Q1'19	*YoY change*	Market consensus[2]	*Difference*
Revenue, incl.:	2,782	*19%*	2,757	*0.9%*
- Retail revenue	1,606	*19%*	n/a	n/a
- Wholesale revenue	773	*22%*	n/a	n/a
- Sale of equipment	347	*9%*	n/a	n/a
- Other revenue	56	*40%*	n/a	n/a
Operating costs, incl.:	2,317	*21%*	n/a	n/a
- Technical costs and cost of settlements with telecommunication operators	651	*29%*	n/a	n/a
- Depreciation, amortization, impairment and liquidation	440	*-3%*	n/a	n/a
- Cost of equipment sold	289	*6%*	n/a	n/a
- Content costs	369	*37%*	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	250	*22%*	n/a	n/a
- Salaries and employee-related costs	213	*48%*	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	35	*191%*	n/a	n/a
- Other costs	71	*28%*	n/a	n/a
EBITDA	922	*4%*	921	*0.2%*
EBITDA Margin	33.1%	*-4.8pp*	33.4%	*-0.3pp*
EBIT	482	*11%*	415	*16.0%*
Net profit	301	*3%*	240	*25.4%*

[2] *Based on estimates prepared by: Santander, ERSTE, DM BOŚ, Trigon, PKO BP, RCB, Wood&Co*

Services to individual and business customers segment[3]

	Q1		
	2019	2018	YoY change
Total number of RGUs (EOP) (contract + prepaid)	16,973,770	16,579,337	2.4%
CONTRACT SERVICES			
Total number of RGUs (EOP), including:	**14,330,995**	**13,796,153**	**3.9%**
Pay TV, including:	5,077,221	4,984,391	1.9%
Multiroom	*1,167,983*	*1,114,833*	*4.8%*
Mobile telephony	7,452,479	6,997,850	6.5%
Internet	1,801,295	1,813,912	(0.7%)
Number of customers (EOP)	**5,672,790**	**5,743,832**	**(1.2%)**
ARPU per customer [PLN]	82.9	81.9	1.2%
Churn	7.2%	8.5%	(1.3 p.p.)
RGU saturation per customer	2.53	2.40	5.4%
PREPAID SERVICES			
Total number of RGUs (EOP), including:	**2,642,775**	**2,783,184**	**(5.0%)**
Pay TV	144,586	75,159	92.4%
Mobile telephony	2,387,672	2,539,402	(6.0%)
Internet	110,517	168,623	(34.5%)
ARPU per prepaid RGU [PLN]	20.1	20.1	0.0%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.4% to 16.974m.
- At the end of Q1'19 the share of contract services in the total number of provided services was 84.4%. This indicator increased YoY from 83.2%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5,673m as at the end of Q1'19, which constitutes a decrease by 1.2% YoY. The main driver behind the decline of the contract customer base was the further merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.4% YoY).
  - The number of contract services provided by us increased by 535K, that is by 3.9% YoY, to 14.331m as at the end of Q1'19.
  - The number of pay TV services provided in the contract model amounted to 5.077m as at the end of Q1'19, which constitutes an increase by 93K or 1.9% YoY. This increase is mainly due in particular to the

[3] *KPIs regarding services to individual and business customers segment do not take into account the consolidation of the Netia Group's results.*

growing popularity of our Multiroom service (YoY increase by nearly 53K, to over 1.2m RGUs), as well as to dynamically increasing sales of paid OTT services.

– The number of provided mobile telephony services in the contract model increased by 455K, or 6.5% YoY, reaching the level of 7.452m as at the end of Q1'19. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction in February 2018 of new, attractive tariff plans addressed to contract customers, as well as by high demand among business customers (m2m services).

– The number of mobile broadband services amounted to 1.801m RGUs as at the end of Q1'19 and decreased by 13K, or 0.7% YoY. The decrease is associated, among others, with the gradual saturation of the market with dedicated mobile Internet access services and constantly growing popularity of data transmission in mobile telephony tariff plans (smartphones), which competes with dedicated mobile Internet access services.

– In line with the assumptions of our long-term strategy we aim to maximize revenue per contract customer through cross-selling, i.e., selling additional products and services to our customer base within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In Q1'19 the average revenue per contract customer increased by 1.2% YoY to PLN 82.9.

– Our churn rate amounted to 7.2% in the twelve-month period ended March 31, 2019, decreasing by 1.3 p.p. as compared to 8.5% in the twelve-month period ended March 31, 2018. This is primarily the effect of the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy as well as our actions aimed at growing high satisfaction and loyalty among our customers.

– Our bundled services offer, based on a mechanism of offering attractive rebates on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. At the end of Q1'19 already 1.855m customers were using our bundled services, which constitutes an increase of 283K customers, or 18.0%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 32.7% at the end of Q1'19. This group of customers had a total of 5.567m RGUs, that is by 866K, or 18.4%, more than in Q1'18. In Q1'18, we lifted entry thresholds for the smartDOM program, thus making our bundled services offering available to all customers on identical terms, which translated positively into the dynamics of growth of our multiplay services customer base and blended ARPU level for the total customer base.

- Prepaid services

– The number of prepaid services provided by us as at the end of Q1'19 decreased by 140K, that is by 5.0% YoY, to 2.643m. We strive to grow the number of customers using our contract services by, among others, encouraging the customers of prepaid services to choose our contract tariff plans. Furthermore, in Q4'18 we decided to join the customers using the prepaid services provided by our subsidiary Aero 2 under the "a2mobile" brand to Premium Mobile, a company in which we hold a minority stake, which was reflected in Q4'18 results. Due to that, starting from Q4'18 the services used by customers of the "a2mobile" brand are not included into the above provided data while we obtain additional wholesale revenue from servicing the traffic generated by these customers. In parallel, thanks to the continuous unification of prices between tariff plans for the contract and prepaid customers, a significant portion of them decided to use the contract services offering.

– In Q1'19 we also recorded a significant increase (by 92.4%) in the number of prepaid pay TV services. This increase results from our efforts to constantly enrich our offering and fine-tune functionalities of the IPLA platform which enables flexibility in choosing and purchasing content in which a customer is interested in.

– In Q1'19 average revenue per prepaid RGU (prepaid ARPU) remained at the same level than in Q1'18 and amounted to PLN 20.1.

Broadcasting and television production segment

	Q1		
	2019	2018	YoY change
Audience share[1], including:	**23.36%**	**23.92%**	***(0.56pp)***
POLSAT (main channel)	11.20%	11.87%	*(0.67pp)*
Thematic channels	12.17%	12.05%	*0.12pp*
Advertising market share[2]	**28.0%**	**27.0%**	***1.0pp***
Market expenditures on TV advertising and sponsorship[3] (mPLN)	**965**	**996**	***-3.1%***
Revenue from advertising and sponsorship of TV Polsat Group[4] (mPLN)	**271**	**269**	***0.5%***

1 NAM, All 16-49, all day, SHR%
2 Our estimates based on Starcom data
3 Starcom, preliminary data, spot advertising and sponsorship
4 Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

- Polsat Group and its main channel are the viewership leaders in the commercial group.
- Revenue from TV advertising and sponsorship generated by Polsat Group grew by 0.5% YoY to PLN 271m, despite the market dropping by 3.1% YoY (high base effect). As a result, our share in the TV advertising and sponsorship market increased to 28.0%.
- We maintain our expectations on the low single-digit growth rate of the TV advertising and sponsorship market throughout 2019.