

- In Q2'20 Polsat Group's revenue amounted to **PLN 2,863m** and decreased YoY by 2.1%. The decrease was mainly influenced by the following factors:
  - Lower **wholesale revenues** as a result of a significant decrease in TV advertising revenue during the COVID-19 epidemic which was not fully compensated for by higher interconnect revenue and by higher revenue from the sales of channels to cable and satellite operators.
    - In the case of TV Polsat Group channels, the decline in advertising and sponsorship revenue was 34.5% (or PLN 112m) compared to the market, which recorded decline of 35.4% YoY.
  - 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.
  - 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.
- In Q2'20 Polsat Group's costs amounted to **PLN 2,456m** and increased YoY by 2.0%. Their level was mainly influenced by the following factors:
  - 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 made in 2019 to purchase broadcasting rights to Canal+ Sport 3 and Canal+ Sport 4 channels airing the PKO BP Ekstraklasa football games.
  - Higher **cost of equipment sold** corresponds with higher revenue from the sale of equipment.
  - Higher **cost 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.
- Revenue from advertising and sponsorship of TV Polsat Group in Q2'20 amounted to PLN 213m, maintaining YoY dynamics consistent with the TV advertising and sponsorship market (34.5%). As a result, our share in the TV advertising and sponsorship market amounted to 27.4%.
- Adjusted EBITDA<sup>1</sup> of Polsat Group amounted to **PLN 1,002m** and recorded a YoY decrease of 6.9%, with EBITDA margin of **35.0%**. EBITDA of Polsat Group including one-off costs related to COVID-19 (incl. donations) amounted to **PLN 960m**, with EBITDA margin of **33.5%**.
- EBIT of Polsat Group amounted to **PLN 394m** and decreased YoY by 24.6%.
- Finance costs, net decreased by 71.9% YoY to the level of PLN 48m. This decrease was caused mainly by the recognition of one-off revenue related to the modification of our bank loan agreements in April 2020 and lower costs of interest following the reduction of interest rates by the National Bank of Poland during 2020 while in the corresponding period a one-off cost was recognized related to the decision on choosing and paying a flat-rate taxation on interest or discount on bonds in the total amount of PLN 70.1m.
- Net profit of the Group increased by 8.1% YoY to **PLN 291m**.
- Adjusted FCF after interest amounted to **PLN 271m** in Q2'20 (**PLN 1,311m** in the twelve-month period, showing a 1.7% decrease compared to Q4'19). The decline in the FCF result was due to the advance settlement of CIT 2019 announced by the company's management board and an increase in equipment inventories for customers. At the same time, in Q2'20 Cyfrowy Polsat received the dividend from Asseco Poland in the amount of PLN 56.8m.
- The main bank covenant – net debt/EBITDA LTM declined to **2.86x** in Q2'20.

<sup>1</sup> EBITDA excl. one-off costs related to COVID-19 (incl. donations) in the amount of PLN 41.5m

- Key performance indicators in Q2'20 (excl. consolidation of Netia Group's results):
  - Total number of RGUs at the level of **17,504K**, 85.6% of which are RGUs provided in the contract model,
  - Contract customer base totaled **5,587K**:
    - Contract ARPU amounted to **PLN 86.5** in Q2'20, **growing YoY by 3.7%** compared to PLN 83.4 in Q2'19,
    - RGU saturation of **2.68** per customer with an upward trend,
    - The churn ratio decreased to the level of **6.4%** per annum.
  - Growth of the total base of contract services by **528K** YoY (3.6%):
    - Increase by **591K** (7.8%) YoY of mobile telephony RGUs thanks to the positive effect 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,
    - Pay TV RGUs (excl. the growing number of Netia's RGUs) decreased by **58K** (1.1%) YoY, which was mainly due to a lower number of provided satellite TV services.
    - Internet RGUs decreased by **5K** (0.3%) 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.
  - Continuation of the multiplay strategy:
    - Consistent implementation of our multiplay strategy results in a stable increase in the number of customers of bundled services by 130K YoY,
    - The total number of customers using bundled offers reached the level of 2,03K at the end of Q2'20,
    - The share of customers using multiplay packages reached 36.3%,
    - The number of RGUs owned by customers of bundled services increased to 6,19K,
    - Consistently low churn (6.4%), mainly thanks to our multiplay strategy.
  - Spring lockdown restricted the possibilities of distribution of prepaid starter kits:
    - The decrease in prepaid services to the level of 2,53K 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 (+2.9% YoY to **PLN 21.4**) resulting from a higher number of voice calls which translates into higher interconnect settlements.

## Financial results of Cyfrowy Polsat Group

in mPLN	Q2'20	YoY change	Market consensus <sup>2</sup>	Difference
<b>Revenue, incl.:</b>	<b>2,863</b>	<b>-2%</b>	<b>2.809</b>	<b>1.9%</b>
- Retail revenue	1,592	-1%	n/a	n/a
- Wholesale revenue	803	-7%	n/a	n/a
- Sale of equipment	393	4%	n/a	n/a
- Other revenue	75	14%	n/a	n/a
<b>Operating costs, incl.:</b>	<b>2,456</b>	<b>2%</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	636	8%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	566	2%	n/a	n/a
- Cost of equipment sold	335	4%	n/a	n/a
- Content costs	369	-11%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	232	-4%	n/a	n/a
- Salaries and employee-related costs	210	2%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	37	117%	n/a	n/a
- Other costs	71	18%	n/a	n/a
<b>Adjusted EBITDA<sup>3</sup></b>	<b>1,002</b>	<b>-7%</b>	n/a	n/a
<i>Adjusted EBITDA margin</i>	35.0%	-1.8pp	n/a	n/a
<b>EBITDA</b>	<b>960</b>	<b>-11%</b>	<b>967</b>	<b>-0.7%</b>
<i>EBITDA margin</i>	33.5%	-3.3%	34.4%	<b>-0.9pp</b>
EBIT	394	-25%	407	<b>-3.2%</b>
Net profit	291	8%	256	<b>13.5%</b>

<sup>2</sup> Based on estimates prepared by: Citi, BM mBanku, DM BOŚ, ERSTE, Haitong, Ipopema, Trigon, Pekao, PKO BP, Santander, Wood&Co

<sup>3</sup> EBITDA excl. one-off costs related to COVID-19 (incl. donations) in the amount of PLN 41.5m

## Services to individual and business customers segment<sup>4</sup>

	Q2		
	2020	2019	YoY change
<b>Total number of RGUs (EOP) [thous.]</b> (contract + prepaid)	<b>17,504</b>	<b>17,059</b>	<b>2.6%</b>
<b>CONTRACT SERVICES</b>			
<b>Total number of RGUs (EOP) [thous.], including:</b>	<b>14,979</b>	<b>14,452</b>	<b>3.6%</b>
Pay TV, including:	5,001	5,059	-1.1%
<i>Multiroom</i>	1,197	1,174	2.0%
Mobile telephony	8,189	7,598	7.8%
Internet	1,790	1,795	-0.3%
<b>Number of customers (EOP) [thous.]</b>	<b>5,587</b>	<b>5,653</b>	<b>-1.2%</b>
ARPU per customer [PLN]	86.5	83.4	3.7%
Churn	6.4%	7.0%	-0.6 pp
RGU saturation per customer	2.68	2.56	4.7%
<b>PREPAID SERVICES</b>			
<b>Total number of RGUs (EOP) [thous.], including:</b>	<b>2,525</b>	<b>2,607</b>	<b>-3.1%</b>
Pay TV	93	87	6.9%
Mobile telephony	2,364	2,418	-2.2%
Internet	68	102	-33.3%
ARPU per prepaid RGU [PLN]	21.4	20.8	2.9%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.6% to 17,504K.
- At the end of Q2'20 the share of contract services in the total number of provided services was 85.6%. This ratio increased YoY from 84.7%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5,587K as at the end of Q2'20, 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 4.7% YoY).
  - The number of contract services provided by us increased by 528K, that is by 3.6% YoY, to 14,979K as at the end of Q2'20.

<sup>4</sup> KPIs of the segment of services to individual and business customers do not take into account the consolidation of Netia Group's results.

- The number of pay TV services provided in the contract model amounted to 5,001K as at the end of Q2'20 and decreased by 1.1% YoY, which was mainly due to a lower number of provided satellite TV services.
  - The number of provided mobile telephony services in the contract model increased by 591K YoY (+7.8%), reaching the level of 8,189K as at the end of Q2'20. This growth was driven by the successful implementation of our strategy of cross-selling and focusing on customer satisfaction, which translated into a low churn ratio, as well as by high demand among business customers for m2m services.
  - The number of mobile broadband services amounted to 1,790K RGUs as at the end of Q2'20 and decreased by 5K, or 0.3% 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 Q2'20 the average revenue per contract customer increased by 3.7% YoY to PLN 86.5.
  - Our churn rate amounted to 6.4% in the twelve-month period ended June 30, 2020, decreasing by 0.6 p.p. as compared to 7.0% in the twelve-month period ended June 30, 2019. An additional factor contributing to the decrease in churn was the temporary closure of part of our direct sales network. In addition, lower churn was primarily due to 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 fostering high customer satisfaction and loyalty.
  - 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 Q2'20 already 2,028K customers were using our bundled services, which constitutes an increase of 130K customers, or 6.9%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 36.3% at the end of Q2'20. This group of customers had a total of 6,189K RGUs, that is by 476K, or 8.3%, more than in Q2'19.
- **Prepaid services**
    - The number of prepaid services provided by us as at the end of Q2'20 amounted to 2,525K. 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.
    - In Q2'20, average revenue per prepaid RGU (prepaid ARPU) increased by 2.9% YoY to PLN 21.4.

## Broadcasting and television production segment

	Q2		
	2020	2019	YoY change
<b>Audience share<sup>(1)</sup>, including:</b>	<b>23.04%</b>	<b>24.94%</b>	<b>-1.90pp</b>
POLSAT (main channel)	9.18%	11.38%	-2.20pp
Other channels	13.86%	13.55%	0.31pp
<b>Advertising market share<sup>(2)</sup></b>	<b>27.4%</b>	<b>27.0%</b>	<b>0.4pp</b>
<b>Market expenditures on TV advertising and sponsorship<sup>(3)</sup> (mPLN)</b>	<b>778</b>	<b>1,204</b>	<b>-35.4%</b>
<b>Revenue from advertising and sponsorship of TV Polsat Group<sup>(4)</sup> (mPLN)</b>	<b>213</b>	<b>325</b>	<b>-34.5%</b>

<sup>1</sup> NAM, All 16-49, all day, SHR%

<sup>2</sup> Our estimates based on Starcom data

<sup>3</sup> Starcom, preliminary data, spot advertising and sponsorship

<sup>4</sup> 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 advertising and sponsorship of TV Polsat Group in Q2'20 amounted to PLN 213m, maintaining YoY dynamics consistent with the TV advertising and sponsorship market (34.5%). As a result, our share in the TV advertising and sponsorship market amounted to 27.4%.
- Despite the turbulences that the entire advertising market went through in Q2'20, we see grounds to expect a clear stabilization of revenues from TV advertising and sponsorship in the second half of this year. These revenues should stabilize around the levels from the corresponding period in 2019. Thus, in full-year terms and in the scenario of no further lockdown, the decline in the value of the Polish TV advertising and sponsorship market could be limited to the level of around -10% YoY.