

- 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” items), which leads to an increase of EBITDA and depreciation, change in profit/(loss) from investment activities, net, 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 without restating the comparative figures for 2018. In order to ensure full comparability of the data for the three-month periods ended December 31, 2019 and December 31, 2018, financial figures in the income statement for the three-month period ended December 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 Q4'19 Polsat Group's revenue based on hitherto applicable accounting standards amounted to **PLN 3,059m** and increased YoY by 1.9% (**revenue after the implementation of IFRS 16 amounted to PLN 3,069m**). Their level was mainly influenced by the following factors:
  - Almost stable level of **retail revenues**. Lower revenue from voice services, which included revenue from fixed-line telephony services provided by Netia, was almost fully compensated for by higher revenue from pay TV and data transmission services.
  - Higher revenue from **sale of equipment**, mainly due to a higher share of more expensive models among end-user devices sold, which was also reflected in the higher cost of equipment sold, while sales volumes of end-user devices decreased year-on-year.
  - The increase in **other revenue** was due to, among others, higher revenue from interest on installment plan sales of equipment to residential customers, as well as a higher margin on sales of electricity.
- In Q4'19 Polsat Group's costs based on hitherto applicable accounting standards amounted to **PLN 2,593m** and increased YoY by 0.2% (**costs after the implementation of IFRS 16 amounted to PLN 2,594m**). Their level was mainly influenced by the following factors:
  - Lower **technical costs and cost of settlements with telecommunication operators** mainly from lower costs of telecommunication infrastructure maintenance, including in particular due to the release of part of the provisions related to electric energy costs. In parallel, we recorded higher costs of purchasing traffic in interconnection and international roaming resulting from higher volumes of outgoing traffic.
  - Lower **depreciation, amortization, impairment and liquidation costs** due to, among others, the termination of the amortization period related to the 800 MHz bandwidth license and the extension of depreciation periods of certain elements of the mobile network.
  - The increase in **content costs** was mostly the result of higher cost of internal production associated with the enriched scheduling of our channels and higher costs of programming licenses, due to, 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 cost of amortization of film licenses was an additional factor contributing to the increase of content costs.
  - Higher **cost of equipment sold** as a consequence of a higher share of more expensive models among end-user devices sold while sales volumes of end-user devices decreased year-on-year.
  - Higher **distribution, marketing, customer relation management and retention costs** were due to higher cost of sales commissions.
- Revenue from advertising and sponsorship of TV Polsat Group increased by 2.4% YoY in Q4'19, to PLN 379m, while the whole market recorded a 0.3% drop. As a result, our share in the TV advertising and sponsorship market increased to 28.6%.
- EBITDA of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 938m** and recorded a YoY decrease of 0.3%, with an EBITDA margin of **30.7%**. **EBITDA after the implementation of IFRS 16 amounted to PLN 1,062m with an EBITDA margin of 34.6%**.
- EBIT of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 485m** and increased YoY by 15.6%. **EBIT after the implementation of IFRS 16 amounted to PLN 494m**.
- Finance costs, net based on hitherto applicable accounting standards, decreased by 16.1% YoY. This decrease was caused mainly by lower interest expenses on loans and bonds, resulting from the return to scheduled repayments of the Combined SFA during 2019, as well as the successful refinancing of bonds executed in 2019.
- Net profit of the Group, based on hitherto applicable accounting standards, increased by 372% YoY to **PLN 308m**. **Net profit of the Group after the implementation of IFRS 16 amounted to PLN 312**.
- Adjusted FCF after interest amounted to **PLN 529m** in Q4'19 (**PLN 1,334m** in the twelve-month period, **in line with the company's expectations**), influenced by higher investments and higher purchases of equipment for customers.

- The main bank covenant – net debt/EBITDA LTM **based on hitherto applicable accounting standards (terms and conditions of the Combined SFA)**, was at the level of **2.90x** in Q4'19.
- Key performance indicators in Q4'19 (excl. consolidation of Netia Group's results):
  - Total number of RGUs at the level of **17.386m**, 84.7% of which are RGUs provided in the contract model,
  - Contract customer base totaled **5.638m**:
    - Contract ARPU amounted to **PLN 85.6** in Q4'19, **growing YoY by 1.9%** compared to PLN 84.0 in Q4'18,
    - RGU saturation of **2.61** per customer with an upward trend,
    - Churn is still in a downward trend, once again reaching a record low level (**6.4%**).
  - Growth of the total base of contract services by **469K** YoY (3.3%):
    - Increase by **549K** (7.5%) of mobile telephony RGUs thanks to the positive effect of our multiplay strategy and good reception by customers of the simple tariffs launched by Plus in February 2018, supported by good sales in the B2B segment (m2m),
    - Pay TV RGUs (excl. the growing number of RGU Netia) decreased by 60K (1.2%) YoY, with Q4'19 showing an increase of 5K RGUs,
    - Internet RGUs decreased by 19K (1.1%) YoY.
  - 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 197K YoY,
    - The total number of customers using bundled offers exceeded the level of 1.99m EoY and exceeded 2 million in January 2020,
    - The share of customers using multiplay packages reached 35.4%,
    - The number of RGUs owned by customers of bundled services increased to 6.05m,
    - Record low churn (6.4%), mainly thanks to our multiplay strategy.
  - Stable, high prepaid ARPU:
    - Growth by 11K in the number of provided prepaid services (YoY) to the level of 2.7m services, mainly thanks to high sales of IPLA packages,
    - High and stable ARPU at **PLN 20.3** in Q4'19.

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

in mPLN	Q4'19	Market consensus <sup>1</sup>	Difference
<b>Revenue, incl.:</b>	<b>3,069</b>	<b>3,056</b>	<b>0.4%</b>
- Retail revenue	1,618	n/a	n/a
- Wholesale revenue	925	n/a	n/a
- Sale of equipment	445	n/a	n/a
- Other revenue	80	n/a	n/a
<b>Operating costs, incl.:</b>	<b>2,594</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	580	n/a	n/a
- Depreciation, amortization, impairment and liquidation	568	n/a	n/a
- Cost of equipment sold	369	n/a	n/a
- Content costs	455	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	278	n/a	n/a
- Salaries and employee-related costs	253	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	28	n/a	n/a
- Other costs	64	n/a	n/a
<b>EBITDA</b>	<b>1,062</b>	<b>1,048</b>	<b>1.3%</b>
<i>EBITDA margin</i>	34.6%	34.3%	<b>0.3pp</b>
EBIT	494	486	<b>1.7%</b>
Net profit	312	292	<b>6.6%</b>

<sup>1</sup> Based on estimates prepared by: Citi, DM BOŚ, BM mBanku, ERSTE, Haitong, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Santander, Wood&Co

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

Revenue, incl.:	Q4'19	Difference
- Retail revenue	3,059	2%
- Wholesale revenue	1,618	-1%
- Sale of equipment	925	0%
- Other revenue	445	12%
<b>Operating costs, incl.:</b>	70	45%
- Technical costs and cost of settlements with telecommunication operators	2,593	0%
- Depreciation, amortization, impairment and liquidation	670	-3%
- Cost of equipment sold	453	-13%
- Content costs	369	9%
- Distribution, marketing, customer relation management and retention costs	457	8%
- Salaries and employee-related costs	283	5%
- Cost of debt collection services and bad debt allowance and receivables written off	253	6%
- Other costs	28	41%
<b>EBITDA</b>	81	-7%
<i>EBITDA margin</i>	<b>938</b>	<b>0%</b>
EBIT	30.7%	-0.7pp
Net profit	485	16%
<b>Revenue, incl.:</b>	308	>100%

## Services to individual and business customers segment<sup>2</sup>

	Q4		
	2019	2018	YoY change
<b>Total number of RGUs (EOP)</b> (contract + prepaid)	<b>17,386,252</b>	<b>16,906,133</b>	<b>2.8%</b>
<b>CONTRACT SERVICES</b>			
<b>Total number of RGUs (EOP), including:</b>	<b>14,728,758</b>	<b>14,259,264</b>	<b>3.3%</b>
Pay TV, including:	5,038,448	5,098,917	(1.2%)
<i>Multiroom</i>	1,192,984	1,160,353	2.8%
Mobile telephony	7,894,581	7,345,213	7.5%
Internet	1,795,729	1,815,134	(1.1%)
<b>Number of customers (EOP)</b>	<b>5,637,734</b>	<b>5,706,147</b>	<b>(1.2%)</b>
ARPU per customer [PLN]	85.6	84.0	1.9%
Churn	6.4%	7.6%	(1.2 p.p.)
RGU saturation per customer	2.61	2.50	4.5%
<b>PREPAID SERVICES</b>			
<b>Total number of RGUs (EOP), including:</b>	<b>2,657,494</b>	<b>2,646,869</b>	<b>0.4%</b>
Pay TV	161,208	95,685	68.5%
Mobile telephony	2,415,819	2,423,774	(0.3%)
Internet	80,467	127,410	(36.8%)
ARPU per prepaid RGU [PLN]	20.3	20.3	0.0%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.8% to 17.386m.
- At the end of Q4'19 the share of contract services in the total number of provided services was 84.7%. This indicator increased YoY from 84.3%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5,638m as at the end of Q4'19, 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 4.5% YoY).
  - The number of contract services provided by us increased by 469K, that is by 3.3% YoY, to 14.729m as at the end of Q4'19.

<sup>2</sup> KPIs regarding services to individual and business customers segment do not take into account the consolidation of the Netia Group's results.

- The number of pay TV services provided in the contract model amounted to 5.038m as at the end of Q4'19 and decreased by 1.2% 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 549K, or 7.5% YoY, reaching the level of 7.895m as at the end of Q4'19. 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 1.796m RGUs as at the end of Q4'19 and decreased by 19K, or 1.1% 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 Q4'19 the average revenue per contract customer increased by 1.9% YoY to PLN 85.6.
  - Our churn rate amounted to 6.4% in the twelve-month period ended December 31, 2019, decreasing by 1.2 p.p. as compared to 7.6% in the twelve-month period ended December 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 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 Q4'19 already 1.993m customers were using our bundled services, which constitutes an increase of 197K customers, or 11.0%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 35.4% at the end of Q4'19. This group of customers had a total of 6.046m RGUs, that is by 661K, or 12.3%, more than in Q4'18.
- **Prepaid services**
    - The number of prepaid services provided by us as at the end of Q4'19 increased by 11K, that is by 0.4% YoY, to 2.657m.
    - In Q4'19, average revenue per prepaid RGU (prepaid ARPU) reached PLN 20.3 and remained unchanged compared to Q4'18.

## Broadcasting and television production segment

	Q4		
	2019	2018	YoY change
<b>Audience share<sup>(1)</sup>, including:</b>	<b>24.18%</b>	<b>24.17%</b>	<b>0.01pp</b>
POLSAT (main channel)	10.43%	11.07%	-0.64pp
Thematic channels	13.76%	13.10%	0.66pp
<b>Advertising market share<sup>(2)</sup></b>	<b>28.6%</b>	<b>27.9%</b>	<b>0.7pp</b>
<b>Market expenditures on TV advertising and sponsorship<sup>(3)</sup> (mPLN)</b>	<b>1,324</b>	<b>1,328</b>	<b>-0.3%</b>
<b>Revenue from advertising and sponsorship of TV Polsat Group<sup>(4)</sup> (mPLN)</b>	<b>379</b>	<b>370</b>	<b>2.4%</b>

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

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

<sup>3</sup> Starcom, 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 increased by 2.4% YoY in Q4'19, to PLN 379m, while the whole market recorded a 0.3% drop. As a result, our share in the TV advertising and sponsorship market increased to 28.6%.
- We expect the TV advertising and sponsorship market will show a low single-digit increase in 2020.