

- In Q1'20 Polsat Group's revenue amounted to **PLN 2,849m** and increased YoY by 2.0%. Growth dynamics was mainly influenced by the following factors:
  - The main growth driver of **wholesale revenue** was an increase in interconnect revenue following strong growth of voice traffic volumes since the introduction of the state of epidemic threat in Poland. Moreover, growth was supported by higher revenue from the sales of channels to cable and satellite operators.
  - The increase in **other revenue** was mostly due to higher revenue from interest on installment plan sales of equipment to residential customers.
- In Q1'20 Polsat Group's costs amounted to **PLN 2,392m** and increased YoY by 3.2%. Their level was mainly influenced by the following factors:
  - Higher **technical costs and cost of settlements with telecommunication operators** mainly as a result of higher interconnect costs on higher volumes of outgoing traffic, which was associated with the coronavirus epidemic.
  - Higher **depreciation, amortization, impairment and liquidation costs** due to intensified capital expenditures in 2019.
  - Higher **content cost** was mostly the result of higher cost 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.
  - Lower **distribution, marketing, customer relation management and retention costs** following a decision to postpone certain marketing activities to later in the year.
- Revenue from advertising and sponsorship of TV Polsat Group in Q1'20 amounted to PLN 263m, maintaining YoY dynamics consistent with the TV advertising and sponsorship market (-3.0%). As a result, our share in the TV advertising and sponsorship market amounted to 28.1%.
- EBITDA of Polsat Group amounted to **PLN 1,027m** and recorded a YoY decrease of 1.1%, with an EBITDA margin of **36.0%**.
- EBIT of Polsat Group amounted to **PLN 462m** and decreased YoY by 5.9%.
- Finance costs increased by 49.8% YoY. This increase was caused mainly by revaluation of hedging instruments (IRS) following the reduction of interest rate by 50 bps executed by the National Bank of Poland in March 2020.
- Net profit of the Group decreased by 38% YoY to **PLN 184m** mainly due to non-cash changes in finance cost and the loss from investment activities resulting from the weakening of the zloty against the EUR and USD.
- Adjusted FCF after interest amounted to **PLN 267m** in Q1'20 (**PLN 1,433m** in the twelve-month period, showing a 7.4% increase over the previous quarter). The lack of an increase in installments recorded regularly over the past years contributed to the improvement of the FCF result.
- The main bank covenant – net debt/EBITDA LTM declined to **2.86x** in Q1'20.
- Key performance indicators in Q1'20 (excl. consolidation of Netia Group's results):
  - Total number of RGUs at the level of **17.436m**, 84.9% of which are RGUs provided in the contract model,
  - Contract customer base totaled **5.601m**:
    - Contract ARPU amounted to **PLN 85.4** in Q1'20, **growing YoY by 3.0%** compared to PLN 82.9 in Q1'19,
    - RGU saturation of **2.64** per customer with an upward trend,
    - The churn ratio reached **6.6%**.
  - Growth of the total base of contract services by **466K** YoY (3.3%):
    - Increase by **564K** (7.6%) 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 Netia's RGUs) decreased by 85K (1.7%) YoY, which was mainly due to a lower number of provided satellite TV services.
    - Internet RGUs decreased by **13K** (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.

- 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 157K YoY,
  - The total number of customers using bundled offers exceeded the level of 2.01m at the end of Q1'20,
  - The share of customers using multiplay packages reached 35.9%,
  - The number of RGUs owned by customers of bundled services increased to 6.12m,
  - Consistently low churn (6.6%), mainly thanks to our multiplay strategy.
- ARPU growth, stabilization of the prepaid base:
  - Stable number of provided prepaid services at the level of 2.6m, mainly thanks to high sales of IPLA packages,
  - Growing ARPU (+3.0% YoY to **PLN 20.7**) resulting from a higher number of voice calls which translates into higher interconnect settlements.

## Financial results of Cyfrowy Polsat Group

in mPLN	Q1'20	YoY change	Market consensus <sup>1</sup>	Difference
<b>Revenue, incl.:</b>	<b>2,849</b>	<b>2%</b>	<b>2,820</b>	<b>1.0%</b>
- Retail revenue	1,605	0%	n/a	n/a
- Wholesale revenue	824	7%	n/a	n/a
- Sale of equipment	346	0%	n/a	n/a
- Other revenue	75	14%	n/a	n/a
<b>Operating costs, incl.:</b>	<b>2,392</b>	<b>3%</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	601	7%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	565	3%	n/a	n/a
- Cost of equipment sold	282	-3%	n/a	n/a
- Content costs	389	6%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	224	-8%	n/a	n/a
- Salaries and employee-related costs	222	4%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	44	28%	n/a	n/a
- Other costs	65	13%	n/a	n/a
<b>EBITDA</b>	<b>1,027</b>	<b>-1%</b>	<b>1,020</b>	<b>0.7%</b>
<i>EBITDA margin</i>	36.0%	-1.2pp	36.2%	<b>-0.2pp</b>
EBIT	462	-6%	455	<b>1.6%</b>
Net profit	184	-38%	174	<b>5.6%</b>

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

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

	Q1		
	2020	2019	YoY change
<b>Total number of RGUs (EOP)</b> (contract + prepaid)	<b>17,435,613</b>	<b>16,973,770</b>	<b>2.7%</b>
<b>CONTRACT SERVICES</b>			
<b>Total number of RGUs (EOP), including:</b>	<b>14,796,975</b>	<b>14,330,995</b>	<b>3.3%</b>
Pay TV, including:	4,992,356	5,077,221	(1.7%)
<i>Multiroom</i>	1,187,199	1,167,983	1.6%
Mobile telephony	8,016,501	7,452,479	7.6%
Internet	1,788,118	1,801,295	(0.7%)
<b>Number of customers (EOP)</b>	<b>5,601,300</b>	<b>5,672,790</b>	<b>(1.3%)</b>
ARPU per customer [PLN]	85.4	82.9	3.0%
Churn	6.6%	7.2%	(0.6 p.p.)
RGU saturation per customer	2.64	2.53	4.3%
<b>PREPAID SERVICES</b>			
<b>Total number of RGUs (EOP), including:</b>	<b>2,638,638</b>	<b>2,642,775</b>	<b>(0.2%)</b>
Pay TV	171,958	144,586	18.9%
Mobile telephony	2,393,373	2,387,672	0.2%
Internet	73,307	110,517	(33.7%)
ARPU per prepaid RGU [PLN]	20.7	20.1	3.0%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.7% to 17.436m.
- At the end of Q1'20 the share of contract services in the total number of provided services was 84.9%. This indicator increased YoY from 84.4%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5.601m as at the end of Q1'20, which constitutes a decrease by 1.3% 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 4.3% YoY).
  - The number of contract services provided by us increased by 466K, that is by 3.3% YoY, to 14.797m as at the end of Q1'20.

<sup>2</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 4.992m as at the end of Q1'20 and decreased by 1.7% 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 564K YoY (+7.6%), reaching the level of 8.017m as at the end of Q1'20. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction in February 2018 of 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 1.788m RGUs as at the end of Q1'20 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 Q1'20 the average revenue per contract customer increased by 3.0% YoY to PLN 85.4.
  - Our churn rate amounted to 6.6% in the twelve-month period ended March 31, 2020, decreasing by 0.6 p.p. as compared to 7.2% in the twelve-month period ended March 31, 2019. 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 Q1'20 already 2.012m customers were using our bundled services, which constitutes an increase of 157K customers, or 8.5%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 35.9% at the end of Q1'20. This group of customers had a total of 6.120m RGUs, that is by 553K, or 9.9%, more than in Q1'19.
- **Prepaid services**
    - The number of prepaid services provided by us as at the end of Q1'20 remained stable and amounted to 2.639m.
    - In Q1'20, average revenue per prepaid RGU (prepaid ARPU) increased by 3.0% YoY to PLN 20.7.

## Broadcasting and television production segment

	Q1		
	2020	2019	YoY change
<b>Audience share<sup>(1)</sup>, including:</b>	<b>23.25%</b>	<b>23.36%</b>	<b>(0.11 pp)</b>
POLSAT (main channel)	9.90%	11.20%	(1.30 pp)
Other channels	13.36%	12.16%	1.20 pp
<b>Advertising market share<sup>(2)</sup></b>	<b>28.1%</b>	<b>28.0%</b>	<b>0.1 pp</b>
<b>Market expenditures on TV advertising and sponsorship<sup>(3)</sup> (mPLN)</b>	<b>936</b>	<b>966</b>	<b>(3.1%)</b>
<b>Revenue from advertising and sponsorship of TV Polsat Group<sup>(4)</sup> (mPLN)</b>	<b>263</b>	<b>271</b>	<b>(3.0%)</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 Q1'20 amounted to PLN 263m, maintaining YoY dynamics consistent with the TV advertising and sponsorship market (-3.0%). As a result, our share in the TV advertising and sponsorship market amounted to 28.1%.
- We expect a slowdown on the TV advertising market, however due to the high level of uncertainty as well as multiple factors affecting the market, including the duration of the restrictions associated with the pandemic and the ultimate rate of economic slowdown in Poland and on global markets, as of today the Group does not see the possibility of presenting a reliable estimate of the impact that the COVID-19 coronavirus pandemic may have on the advertising market in the coming quarters.