

- 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 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 retrospectively without restating the comparative figures for 2018. In order to ensure full comparability of the data for the six-month periods ended June 30 31, 2019 and June 30, 2018, financial figures in the income statement for the three-month period ended June 30, 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 Q2'19 Polsat Group's revenue based on hitherto applicable accounting standards increased YoY by 11.9% to **PLN 2,913m (revenues after the implementation of IFRS 16 amounted to PLN 2,923 m)**. Revenue growth was mainly affected by the following factors:
 - The increase 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 partially 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 16% 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, the resale of the capacity of our mobile network to MVNO customers and advertising and sponsoring. In turn, we recorded a year-on-year decrease in revenues from providing national roaming services to P4.
 - 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 Q2'19 Polsat Group's costs based on hitherto applicable accounting standards amounted to **PLN 2,404m** and increased YoY by 13.0% (**costs after the implementation of IFRS 16 amounted to PLN 2,407m**). 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. 7%. This increase resulted mainly from higher interconnection costs, higher cost of purchasing traffic in international roaming and higher provisions for the cost of electricity.
 - Increase in **content costs** was mostly the result of higher cost of internal and external production and amortization of sports rights related to, in particular, the Polsat Sport Premium channels launched in the second half of 2018 which broadcast, among others, football games of the UEFA Champions League and the UEFA Europa League and the Eleven Sports Network channels bought in May 2018.
 - Higher **cost of equipment sold** as a consequence of a higher share of more expensive models among the end-user devices sold while sales volumes for end-user devices decreased year on year.
 - 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.
- Revenue from TV advertising and sponsorship generated by Polsat Group grew YoY by 1.1%, to PLN 325m, despite the market dropping by 0.7% YoY. As a result, our share in the TV advertising and sponsorship market increased to 27.2%.
- EBITDA of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 960m** and recorded a YoY increase of 1.4%, with an EBITDA margin of **33.0%**. **EBITDA after the implementation of IFRS 16 amounted to PLN 1,076m with an EBITDA margin of 36.8%**.
- EBIT of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 515m** and increased YoY by 8.3%. **EBIT after the implementation of IFRS 16 amounted to PLN 523m**.
- Finance costs, net based on hitherto applicable accounting standards, increased by 72% YoY. Higher finance costs, net in the second quarter of 2019 were impacted by a one-time item related to the decision on choosing and paying a flat-rate taxation on interest or discount on bonds issued in the past in the total amount of PLN 70.1m.
- Net profit of the Group, based on hitherto applicable accounting standards, increased by 17% YoY to **PLN 270m**. **Net profit of the Group after the implementation of IFRS 16 amounted to PLN 269m**.

- Adjusted FCF after interest amounted to **PLN 392m** in Q2'19 (PLN **1,385m** in the twelve-month period, **in line with the company's expectations**).
- The main bank covenant – net debt/EBITDA LTM **based on hitherto applicable accounting standards (terms and conditions of the Combined SFA)** fell to **2.57x** in Q2'19.
- Key performance indicators in Q2'19 (excl. consolidation of Netia Group's results):
 - Total number of RGUs at the level of **17.059m**, 84.7% of which are RGUs provided in the contract model,
 - Contract customer base totaled **5.653m**:
 - Contract ARPU amounted to **PLN 83.4** in Q2'19, **growing YoY by 0.6%** compared to PLN 82.9 in Q2'18,
 - RGU saturation of **2.56** per customer with an upward trend,
 - Churn is still in a downward trend, once again reaching its record low level (**7.0%**).
 - Growth of the total base of contract services by **522K** YoY (3.7%),
 - Increase of **499K** (7.0%) 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 **31K** (0.6%), 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 243K YoY,
 - The total number of customers using bundled offers exceeded the level of 1.90m,
 - The percentage of customers using multiplay packages reached 33.6%,
 - The number of RGUs owned by customers of bundled services increased to 5.71m,
 - Record low churn (7.0%), mainly thanks to our multiplay strategy.
 - Stable, high prepaid ARPU:
 - Stable q/q prepaid base of 2.6m services,
 - High ARPU, rising by 2.0% to PLN **20.8** in Q2'19.

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

in mPLN	Q2'19	Market consensus ¹	Difference
Revenue, incl.:	2,923	2,876	1.6%
- Retail revenue	1,616	n/a	n/a
- Wholesale revenue	862	n/a	n/a
- Sale of equipment	379	n/a	n/a
- Other revenue	66	n/a	n/a
Operating costs, incl.:	2,407	n/a	n/a
- Technical costs and cost of settlements with telecommunication operators	591	n/a	n/a
- Depreciation, amortization, impairment and liquidation	554	n/a	n/a
- Cost of equipment sold	322	n/a	n/a
- Content costs	416	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	242	n/a	n/a
- Salaries and employee-related costs	206	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	17	n/a	n/a
- Other costs	60	n/a	n/a
EBITDA	1,076	1,055	2.0%
<i>EBITDA Margin</i>	36.8%	36.7%	<i>0.1pp</i>
EBIT	523	507	<i>3.1%</i>
Net profit	269	291 ²	<i>-7.6%</i>

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

² 7 of 9 included forecasts do not include a one-off due to tax on issued intra-group bonds issued in the past in the amount of PLN 70.1 million, about which the company informed on July 31, 2019.

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

in mPLN	Q2'19	YoY change	Market consensus ³	Difference
Revenue, incl.:	2,913	12%	2,866	1.6%
- Retail revenue	1,616	9%	n/a	n/a
- Wholesale revenue	862	17%	n/a	n/a
- Sale of equipment	379	11%	n/a	n/a
- Other revenue	56	37%	n/a	n/a
Operating costs, incl.:	2,404	13%	n/a	n/a
- Technical costs and cost of settlements with telecommunication operators	678	17%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	445	-6%	n/a	n/a
- Cost of equipment sold	322	14%	n/a	n/a
- Content costs	418	29%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	246	10%	n/a	n/a
- Salaries and employee-related costs	206	21%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	17	-4%	n/a	n/a
- Other costs	74	19%	n/a	n/a
EBITDA	960	1%	944	1.7%
<i>EBITDA Margin</i>	33.0%	-3.4pp	32.9%	0.1pp
EBIT	515	8%	497	3.6%
Net profit	270	17%	292 ⁴	-7.5%

³ Based on estimates prepared by: Haitong, Santander, ERSTE, Ipopema, DM BOŚ, Trigon, PKO BP, Wood&Co

⁴ 5 of 6 included forecasts do not include a one-off due to tax on issued intra-group bonds issued in the past in the amount of PLN 70.1 million, about which the company informed on July 31, 2019.

Services to individual and business customers segment⁵

	Q2		
	2019	2018	YoY change
Total number of RGUs (EOP) (contract + prepaid)	17,058,921	16,698,622	2.2%
CONTRACT SERVICES			
Total number of RGUs (EOP), including:	14,451,610	13,929,804	3.7%
Pay TV, including:	5,058,740	5,027,520	0.6%
<i>Multiroom</i>	1,173,866	1,127,285	4.1%
Mobile telephony	7,597,611	7,098,239	7.0%
Internet	1,795,259	1,804,045	(0.5%)
Number of customers (EOP)	5,652,912	5,724,492	(1.3%)
ARPU per customer [PLN]	83.4	82.9	0.6%
Churn	7.0%	8.3%	(1.3 pp)
RGU saturation per customer	2.56	2.43	5.3%
PREPAID SERVICES			
Total number of RGUs (EOP), including:	2,607,311	2,768,818	(5.8%)
Pay TV	87,176	59,722	46.0%
Mobile telephony	2,418,370	2,545,749	(5.0%)
Internet	101,765	163,347	(37.7%)
ARPU per prepaid RGU [PLN]	20.8	20.4	2.0%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.2% to 17.059m.
- At the end of Q2'19 the share of contract services in the total number of provided services was 84.7%. This indicator increased YoY from 83.4%.
- **Contract services:**
 - The total number of customers to whom we provided contract services amounted to 5,653m as at the end of Q2'19, 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 5.3% YoY).
 - The number of contract services provided by us increased by 522K, that is by 3.7% YoY, to 14.452m as at the end of Q2'19.

⁵ 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 5.059m as at the end of Q2'19, which constitutes an increase by 31K or 0.6% YoY. This increase is mainly due to the growing popularity of our Multiroom service (YoY increase by nearly 46K, to approx. 1.2m RGUs), as well as to increasing sales of paid OTT services.
- The number of provided mobile telephony services in the contract model increased by 499K, or 7.0% YoY, reaching the level of 7.598m as at the end of Q2'19. 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 1.795m RGUs as at the end of Q2'19 and decreased by 9K, or 0.5% 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 Q2'19 the average revenue per contract customer increased by 0.6% YoY to PLN 83.4.
- Our churn rate amounted to 7.0% in the twelve-month period ended June 30, 2019, decreasing by 1.3 p.p. as compared to 8.3% in the twelve-month period ended June 30, 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 Q2'19 already 1.898m customers were using our bundled services, which constitutes an increase of 243K customers, or 14.7%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 33.6% at the end of Q2'19. This group of customers had a total of 5.713m RGUs, that is by 774K, or 15.7%, more than in Q2'18. 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 Q2'19 decreased by 162K, that is by 5.8% YoY, to 2.607m. 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 2018 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 Q2'19, average revenue per prepaid RGU (prepaid ARPU) increased by 2.0% to PLN 20.8.

Broadcasting and television production segment

	Q2		
	2019	2018	YoY change
Audience share⁽¹⁾, including:	24.94%	24.16%	0.78 pp
POLSAT (main channel)	11.38%	11.14%	0.24 pp
Thematic channels	13.55%	13.01%	0.54 pp
Advertising market share⁽²⁾	27.2%	26.7%	0.5pp
Market expenditures on TV advertising and sponsorship⁽³⁾ (mPLN)	1.194	1.202	-0.7%
Revenue from advertising and sponsorship of TV Polsat Group⁽⁴⁾ (mPLN)	325	321	1.1%

¹ NAM, All 16-49, all day, SHR%

² Our estimates based on Starcom data

³ Starcom, spot advertising and sponsorship

⁴ Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

- Polsat's main channel is the viewership leader in the commercial group.
- Revenue from TV advertising and sponsorship generated by Polsat Group grew by 1.1% YoY to PLN 325m, despite the market dropping by 0.7% YoY. As a result, our share in the TV advertising and sponsorship market increased to 27.2%.
- We maintain our expectations on the low single-digit growth rate of the TV advertising and sponsorship market throughout 2019.