Financial results of Polsat Plus Group in Q4'23

After taking control of PAK-PCE and its subsidiaries on July 3, 2023, the Group began to consolidate the results of PAK-PCE Group using the full method. As a result, the Group recognizes additional revenue and expenses, particularly those related to the production and sale of electricity.

PLNm	Q4'23	*YoY change*	Market consensus[1]	*Difference*
Revenue, incl.:	**3,682**	***7%***	**3,673**	***0.2%***
- Retail revenue	1,764	*1%*		
- Wholesale revenue	929	*-7%*		
- Sale of equipment	507	*-7%*		
- Energy revenue	286	-		
- Other revenue	196	*45%*		
Operating costs, incl.:	**3,487**	***13%***		
- Technical costs and cost of settlements with telecommunication operators	862	4%		
- Depreciation, amortization, impairment and liquidation	494	7%		
- Cost of equipment sold	415	-3%		
- Content costs	566	2%		
- Cost of energy sold, includes	268	N/A		
- *Depreciation*	*9*	*N/A*		
- Distribution, marketing, customer relation management and retention costs	277	2%		
- Salaries and employee-related costs	336	12%		
- Cost of debt collection services and bad debt allowance and receivables written off	26	4%		
- Other costs, includes	242	*22%*		
- *Depreciation*	*1*	*N/A*		
Adjusted EBITDA[2]	**677**	**-17%**		
Adjusted EBITDA margin[2]	*18.4%*	-5.5pp		
EBITDA	**677**	***-21%***	**707**	***-4.3%***
EBITDA margin	18.4%	*-6.6pp*	19.3%	*-0.9pp*
EBIT	172	*-56%*	222	*-22.5%*
Net profit	**130**	***-25%***	**57**	***128.3%***

[1] Based on estimates prepared by: BM mBanku, BM BDM, DM BOŚ, DM PKO BP, ERSTE, Ipopema, Trigon, Pekao, Santander, Wood&Co

[2] EBITDA excl. gain/loss on disposal of a subsidiary and an associate (PLN 39.8m in Q4'22 and PLN -0.4m in Q4'23)

- **Polsat Plus Group's revenue** amounted to **PLN 3,682m (+7.3% YoY).** Excluding the impact of consolidation of PAK-PCE Group, the Group's revenue amounted to PLN 3,348m (-2.4% YoY). The level of total revenue was mainly influenced by:
  - Recognition of **energy revenue** of **PLN 286m**, including revenue from the sale of electricity from production and resale of energy, revenue from the sale of heat and revenue from the sale of property rights, particularly certificates of origin. Consolidated revenue from the sale of own energy amounted to PLN 79m, and revenue from energy resale amounted to PLN 180m.
  - Lower **wholesale revenue** **(-7% YoY)** as a result of lower interconnect revenues resulting from MTR cuts and lower revenue from the sale of TV sublicenses.
  - Lower **sale of equipment** **(-7% YoY)** mainly due to high sales volumes in the comparative period.
  - Higher **other revenue** **(+45% YoY)** primarily as a result the recognition of revenue from the sale of hydrogen buses and gas following the consolidation of the results of PAK-PCE Group.
- **Polsat Plus Group's** costs amounted to **PLN 3.487m (+13.4% YoY).** Excluding the impact of the consolidation of PAK-PCE Group, operating costs amounted to PLN 3,138m (+2.1 YoY). Their level was mainly influenced by the following factors:
  - Recognition of the **cost of energy sold** in the amount of **PLN 268m.**
  - Increase in **salaries and employee-related costs** **(+12% YoY)** mainly due to a higher headcount and persisting inflationary pressure.
  - Increase in **technical costs and cost of settlements with telecommunication operators** **(+4% YoY)**, caused mainly by higher network maintenance costs, largely offset by lower costs of interconnect settlements due to the successive MTR cuts.
  - Increase in **other costs** **(+22% YoY)** resulting mainly from the consolidation of PAK-PCE Group's results (cost of gas sold and buses sold).
  - Higher **depreciation, amortization, impairment and liquidation costs** **(+7% YoY)** which resulted, among others, from amortizing trademarks owned by Telewizja Polsat due to the change in their useful lifetime from indefinite to finite, as well as the consolidation of the results of PAK-PCE Group.
- **Adjusted EBITDA**, excl. the gain on the disposal of a subsidiary and an associate[3], amounted to **PLN 677m** (-17.3% YoY), with adjusted EBITDA margin of **18.4%.** The main reason for the decrease in adjusted EBITDA was rising costs under inflationary pressure with positive revenue growth dynamics.
  - The consolidation of PAK-PCE Group contributed **PLN 1.8m** to consolidated EBITDA. The lower-than-expected level of generated EBITDA in the green energy segment was primarily due to the decrease in market prices for electricity and the related update of the revenue provision for electricity sold, as well as the regulatory mechanism for the settlement of compensations under the governmental energy price freeze.
- **Reported EBITDA** amounted to 677m **(-21% YoY).**
- **EBIT** amounted **to PLN 172m**.
- **Gain on investment activities, net** amounted to PLN 81m (PLN +52m YoY), mainly due to the recognition of the impact of the settlement of the acquisition of control over PAK-PCE in the amount of PLN 67m.
- **Finance costs, net** decreased by **PLN 107m** YoY mainly due to the recognition of a non-cash, positive impact of PLN 146m from the revaluation of the euro-denominated tranche of the SFA, following the appreciation of the Polish zloty in Q4'23. This decrease was partially offset by higher debt service costs in the Group, resulting from a higher level of gross debt and high interest rates.

[3] EBITDA excl. gain/loss on disposal of a subsidiary and an associate (PLN 39.8m in Q4'22 and PLN -0.4m in Q4'23)

- Following the disposal of the 12.8% stake in Asseco Poland (September 2023), as of Q4’23 the share in Asseco Poland’s profit is no longer being recognized in the share of the profit of associates accounted for using the equity method.
- **Net profit** of the Group amounted to **PLN 130m** **(-25% YoY).**
- **Adjusted FCF after interest, excl. green energy capex** amounted to **PLN 334m** **(-57% YoY)** in 2023. The LTM FCF result was impacted mainly by inflationary pressure on OPEX and an increase in debt service costs.
- In the **TMT[4] space, CAPEX/revenue** ratio at **5%**.
- The main covenant – **net debt/EBITDA LTM** (excl. project financing[5]) at the level of **3.51x**.
- Net debt/EBITDA LTM incl. project financing at the level of 3.82x.

[4] Includes B2C and B2B services and media segments

[5] Liabilities under loans and credits granted to PAK-PCE and investment loans granted to PAK-PCE subsidiaries (project companies) for certain investment projects related to the development of low and zero carbon energy sources

B2C and B2B services segment

	Q4'23	Q4'22	*YoY change*
B2C AND B2B SERVICES SEGMENT[1]			
Total number of B2C RGUs (EOP) [thous.], incl.:	**13,083**	**13,285**	**-1.5%**
Pay TV	4,843	5,049	-4.1%
Mobile telephony	6,246	6,238	0.1%
Internet	1,994	1,998	-0.2%
Number of B2C customers (EOP) [thous.]	**5,795**	**5,934**	**-2.3%**
ARPU per B2C customer [PLN]	73.6	71.7	2.6%
Churn in B2C subsegment	7.6%	7.0%	0.6 pp
RGU saturation per one B2C customer	2.26	2.24	0.9%
PREPAID SERVICES			
Total number of RGUs (EOP) [thous.], incl.:	**2,646**	**2,691**	**-1.7%**
Pay TV	98	82	19.5%
Mobile telephony	2,522	2,578	-2.2%
Internet	26	31	-16.1%
ARPU per prepaid RGU[PLN]	17.4	17.4	-
CONTRACT SERVICES FOR B2B CUSTOMERS			
Total number of B2B customers (EOP) [thous.]	**68.8**	**69.1**	**-0.4%**
ARPU per B2B customer [PLN]	1,463	1,427	2.5%

FINANCIAL RESULTS [PLNm]			
Revenue	**2,694**	**2,741**	***-1.7%***
Adjusted EBITDA[2]	**537**	**622**	***-13.8%***
CAPEX	**174**	**272**	***-36.2%***

[1] excl. low-margin Polsat Box Go Start package
[2] EBITDA excl. gain/loss on disposal of a subsidiary and an associate (PLN -0.4m in Q4'23)

Contract services for B2C customers:

- **B2C contract customer base** at **5,795K (-2.3% YoY).** The main reason behind the decrease was the declining popularity of the satellite technology as well as the continued process of merging contracts under one common contract for the household within our base.
- **Churn at a low 7.6%** per annum, mainly as a result of the high loyalty of our bundled service customers, which in turn is due to the successful implementation of our multiplay strategy.
- **ARPU per B2C contract customer at PLN 73.6 (+2.6% YoY)**, thanks to upselling and cross-selling additional products and services to our customer base as part of our multiplay offer and offering richer TV and telecom packages (*more-for-more* strategy).
- Decrease in total **B2C contract services base** by 202k to **13,083k (-1.5%) YoY**.
  - Stable base of **mobile telephony RGU** at **6,246K** and **Internet** RGUs at **1.994k**.
  - **Pay-TV services** amounted to **4,843k** RGUs and recorded a decrease of 206k **(-4.1% YoY)**, mainly as a result of a lower number of provided satellite TV services and the price repositioning and change in the strategy of offering our video online services. This decrease was partially compensated by an increasing number of TV services offered in online technologies (IPTV/OTT).

- **2.46m customers**, or 42% of the total base, use our **multiplay offering** and have a total of 7,438k services (+25k YoY).

Prepaid services:

- The **prepaid RGU base**[6] amounted to **2,646k**, recording a **decrease of 45k** YoY (-1.7%). The main reasons for the decline were:
  - 56k lower number of prepaid mobile services,
  - the growing popularity of data transmission in voice tariffs due to the disappearing differences in the size of data packages, which translates into a systematic decline in the number of dedicated mobile Internet services.

  These decreases were partially offset by an increase by 16k YoY in the number of prepaid pay TV services (excl. low-margin Polsat Box Go Start package).
- **Prepaid ARPU** amounted to **PLN 17.4** and remained stable YoY.

Contract services for B2B customers:

- Stable base of **contract B2B customers** at **68.8K**.
- **ARPU** per B2B customer increased to **PLN 1,463** per month **(+2.5% YoY).**

[6] excl. low-margin Polsat Box Go Start package

Media segment: television and online

	Q4’23	Q4’22	*YoY change*
TELEVISION			
Audience share[1], including:	**22.00%**	**21.63%**	**0.37 pp**
POLSAT (main channel)	7.50%	7.81%	-0.31 pp
Other channels	14.50%	13.82%	0.68 pp
Advertising market share[2]	28.6%	28.3%	0.3 pp
Market expenditures on TV advertising and sponsorship[3] [mPLN]	**1,454**	**1,448**	***0.4%***
Revenue from advertising and sponsorship of TV Polsat Group[4] [mPLN]	**415**	**410**	***1.1%***
ONLINE: POLSAT-INTERIA GROUP[5]			
Average monthly number of users [millions]	20.8	21.2	-1.9%
Average monthly number of page views [millions]	1,982	2,016	-1.7%
FINANCIAL RESULTS [PLNm]			
Revenue	**704**	**731**	***-3.7%***
EBITDA	**140**	**190**	***-26.6%***
CAPEX	**11**	**19**	***-40.3%***

1 NAM, All 16-59, all day, SHR%, including Live+2 (i.e. Time Shifted Viewing), and TV audience out of home (OOH – out of home viewing), internal analyses

2 Our estimates based on Publicis Groupe data

3 Publicis Groupe, spot advertising and sponsorship

4 Revenue from TV advertising and sponsorship of TV Polsat Group’ channels

5 Mediapanel, number of users – real users (RU) indicator

Television

- Viewership results of TV Polsat Group channels in line with the strategy.
- **Revenue from advertising and sponsorship** of TV Polsat Group in Q4’23 **increased by 1.1% YoY**, to PLN 415m, while the TV advertising market recorded a 0.4% increase.
- As a result, our share in the TV advertising and sponsorship market **increased to 28.6%** compared to 28.3% in Q4'22.
- We expect the TV advertising and sponsorship market to grow at a low-single-digit rate in 2024.

Green energy segment

	Q4'23	Q4'22	YoY change
Total electricity generation (GWh), of which:	**179.3**	**176.6**	**1.5%**
Biomass	*150.1*	*168.5*	*-10.9%*
Photovoltaics	*7.8*	*8.1*	*-3.7%*
On-shore wind farms	*21.4*	-	*N/A*
Average price of sales of energy produced[1] [PLN/MWh]	*692.1*	-	-
FINANCIAL RESULTS [PLNm]			
Revenue, of which:	**395**	**N/A**	***N/A***
sale of own electricity	124		
energy resale	182	N/A	*N/A*
EBITDA	**-1**	**N/A**	**-**
CAPEX	**409**	**N/A**	**-**

[1] Calculated as the ratio of the green energy segment's generated revenue from the sale of own electricity and the volume of production

Energy production

- otal **volume of electricity produced** was **179.3 GWh**, incl.:150.1 GWh from biomass,
  - 7.8 GWh from photovoltaics,
  - 21.4 GWh from wind farms (production lasted for an incomplete quarter).
- **Average price of sales** of energy produced was **PLN 692.1/MWh** in Q4'23.

APPENDIX

Financial results of the Polsat Plus Group's business segments

Q4’23	B2C and B2B services	Media: TV and online	Real estate	Green energy	Consolidation adjustments	Total
Revenue	**2,694**	**704**	**58**	**395**	**-169**	**3,682**
YoY change	*-2%*	*-4%*	*-11%*	*N/A*	-	*7%*
Operating costs[1]	**2,144**	**550**	**58**	**394**	**-164**	**2,982**
YoY change	*1%*	*2%*	*-9%*	*N/A*	-	*14%*
EBITDA adjusted[2]	**537**	**140**	**5**	**-1**	**-4**	**677**
YoY change	*-14%*	*-27%*	*66%*	*N/A*	-	*-17%*
EBITDA margin adjusted[2]	*19.9%*	*19.9%*	*9.1%*	*-0.4%*	-	*18.4%*
YoY change	*-2.8pp*	*-6.1pp*	*4.2pp*	*N/A*	-	*-5.5%*
EBITDA	**536**	**140**	**5**	**-1**	**-3**	**677**
YoY change	*-14%*	*-27%*	*-88%*	*N/A*	-	*-7%*
EBITDA margin	*19.9%*	*19.9%*	*9.1%*	*-0.4%*	-	*18.4%*
YoY change	*-2.8pp*	*-6.1pp*	*-56.8pp*	*N/A*	-	*-6.6%*
CAPEX	**174**	**11**	**4**	**409**	**-**	**597**

[1] Costs excl. depreciation, amortization (incl. depreciation costs included in energy and buses production costs), impairment and liquidation

[2] EBITDA excl. gain/loss on disposal of a subsidiary and an associate (PLN 39.8m in Q4'22 and PLN -0.4m in Q4'23)