

- Following the acquisition and consolidation of the results of Midas Group from February 29, 2016, in order to better illustrate the business of Polsat Group, reported results¹ of Polsat Group in Q3'16, as well as pro-forma results² in Q3'15 are presented to the level of operating profit (EBIT).
- In Q3'16 Polsat Group revenue increased YoY compared to pro-forma revenue in Q3'15 by 3.4% to **PLN 2,388m** (reported income dynamics was -1.1%), mainly due to:
 - A decrease of revenue from voice services partially compensated by higher revenue from pay TV services and Internet access services,
 - Growing revenue from IC settlements, as well as from sales of licenses, sub-licenses and copyrights which influenced the dynamics of wholesale revenue,
 - Higher revenue from sales of equipment, mainly due to the growing share of sales of equipment based on the installment plan model.
- Operating costs of the Group increased by 1.5% compared to pro-forma operating costs in Q3'15 and amounted to **PLN 1,939m** in Q3'16 (reported costs increased by 2.0% YoY). Their level was mainly influenced by:
 - Technical costs influenced by growing IC costs,
 - An increase in the cost of equipment sold caused by a higher unit cost of sold equipment, while the total volume of sales declined,
 - Higher costs of salaries due to a change in the schedule of creating yearly bonus provisions,
 - Growth of costs of distribution, marketing, customer relation management and retention due to sales commission being amortized in the books over time.
- Revenue from advertising and sponsoring of TV Polsat Group increased by 0.7% YoY in Q3'16, to **PLN 222m** (at that time the whole market grew at a rate of 0.1%). As a result of the dynamics of advertising revenue of TV Polsat compared to market dynamics, the Group's market share increased to **27.4%**.
- EBITDA of Polsat Group of **PLN 957m** recorded a YoY increase of 3.1% compared to EBITDA pro-forma in Q3'15 (reported EBITDA increased by 2.9%) with EBITDA margin of **40.1%**.
- EBIT of Polsat Group amounted to **PLN 449m** and increased compared to EBIT pro-forma in Q3'15 by 8.3% (reported EBIT decline of 15.1%).
- Reported finance costs increased to **PLN 127m**. This change was mainly due to the base effect - one-off, non-cash operations related to the refinancing of the Group's hitherto debt were recognized in finance costs in the third quarter of 2015, thus leading to the recognition of a profit. This effect was partially compensated by lower costs of new debt service of Polsat Group.
- As a result, reported net profit of the Group decreased to **PLN 270m**.
- Adjusted LTM FCF pro-forma after interest amounted to **PLN 366m** in Q3'16. At the same time the LTM result reached **PLN 1.544m** (YoY growth of 23.1%), exceeding the Company's previous guidance (PLN 1,200-1,400m).
- The main bank covenant – net debt/EBITDA based on the carrying amount and in relation to the reported LTM EBITDA amounted to **3.19x** in Q3'16, while the net leverage according to SFA definition³ amounted to **2.96x**.
- Key performance indicators in Q3'16:
 - Total number of RGUs at the level of **16.546m**, 79% of which are RGUs provided in the contract model
 - Stable contract customer base of **5.861m**
 - ARPU per customer increased by 0.6% YoY, to **PLN 88.6**,
 - RGU saturation of **2.22** per customer with an upward trend,
 - Churn rate decreased to a low level of **8.5%**.
 - Growth of the total base of contract services by **599K YoY (4.8%)**
 - Dynamic growth in the number of mobile Internet RGUs by **205K (13.5%)**, supported by the highest quality offered by our network,
 - Growth of the number of pay TV RGUs by **283K (6.4%)**, driven by continued demand for the Multiroom service, as well as good sales of OTT services,
 - Increase of **112K (1.7%)** of mobile telephony RGUs (growth in **four consecutive quarters**) is the result of the beneficial effects of our multiplay strategy, supported by a more intensive migration of customers from the prepaid segment in 3Q'16.

¹ reported results, which take into account the consolidation of Midas Group starting from February 29th 2016

² pro-forma, Cyfrowy Polsat, TV Polsat, Metelem, Midas, consolidated financial statements and internal analysis

³ net leverage according to SFA definition, i.e. excluding non-cash serviced debt

- Dynamic growth of saturation of our customer base with integrated services:
 - o As many as 21% of our contract customers already use the multiplay offer, which is positively reflected in reported churn (the lowest over the last 3 years).
- Statistics of the prepaid segment under the influence of actions resulting from the Anti-terrorist Act, which enforces registration of SIM cards:
 - o Prepaid RGUs base reduced to 3.53m services as a result of a rapid decrease in sales of a new SIM cards on the entire prepaid market, strengthened by sales operations aimed at migrating prepaid customers to contract tariffs,
 - o Prepaid ARPU at PLN 18.7, decreasing by 1.6% YoY, as a result of short-term promotions offering very attractive one-off bonuses for newly registered users of prepaid cards.

Reported financial results of Cyfrowy Polsat Group

in mPLN	Q3'16	Pro-forma YoY change	Market consensus ⁽¹⁾	Difference
Revenues, incl.:	2,388	3%	2,377	0,4%
- Retail revenue	1,584	-4%	n/a	n/a
- Wholesale revenue	563	9%	n/a	n/a
- Sale of equipment	221	69%	n/a	n/a
- Other revenue	20	18%	n/a	n/a
Operating costs, incl.:	1,939	2%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	508	-1%	n/a	n/a
- Technical costs and cost of settlements with telecommunication operators	459	3%	n/a	n/a
- Cost of equipment sold	331	5%	n/a	n/a
- Content costs	252	-2%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	203	1%	n/a	n/a
- Salaries and employee-related costs	130	5%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	6	-33%	n/a	n/a
- Other costs	50	7%	n/a	n/a
EBITDA	957	3%	923	3.7%
<i>EBITDA Margin</i>	40.1%	-0.1pp	38.8%	1.2pp
EBIT	449	8%	440	2.0%
Net profit	270	-	262	2.8%

(1) based on estimates prepared by: BDM, Berenberg, BZ WBK, Citi, DB, DM BOŚ, DM mBanku, Erste, Haitong, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Trigon, Wood&Co

Services to individual and business customers segment

	Q3		
	2016	2015	YoY change
Total number of RGUs (contract + prepaid)	16,545,653	16,395,514	0.9%
CONTRACT SERVICES			
Total number of RGUs, including:	13,017,749	12,418,707	4.8%
Pay TV, including:	4,679,114	4,396,361	6.4%
<i>Multiroom</i>	982,068	901,271	9.0%
Mobile telephony	6,616,579	6,505,016	1.7%
Internet	1,722,056	1,517,330	13.5%
Number of customers	5,860,884	5,937,768	(1.3%)
ARPU per customer [PLN]	88.6	88.1	0.6%
Churn	8.5%	10.2%	(1.7pp)
RGU saturation per customer	2.22	2.09	6.2%
PREPAID SERVICES			
Total number of RGUs, including:	3,527,904	3,976,807	(11.3%)
Pay TV	44,913	60,471	(25.7%)
Mobile telephony	3,223,224	3,685,092	(12.5%)
Internet	259,767	231,244	12.3%
ARPU per prepaid RGU [PLN]	18.7	19.0	(1.6%)

- **The total number of active services** provided by the Group both in the contract and prepaid models amounted to 16.545.653.
- At the end of Q3'16 the share of contract services in the total number of provided active services was 78.7%. This indicator increased YoY from 75.7%.
- **Contract services:**
 - The total number of customers to whom we provided contract services amounted to 5,860,884 as at the end of Q3'16, i.e., by 1.3% less compared to the number of customers in Q3'15. The decline of the customer base clearly decelerated in Q3'16, *inter alia*, due to the intensified migration of prepaid services users to contract tariffs as an effect of our actions aimed at encouraging customers to switch to postpaid tariffs while registering their prepaid SIM cards. We continue to observe the trend of merging of contracts under one, common contract for the household and the outflow of customers with only one service. In line with the our strategic assumptions, the Group avoids conducting an aggressive sales policy for individual products and concentrates rather on increasing customer loyalty, in particular through offering a wide portfolio of bundled services, as well as on increasing ARPU per contract customer.

- The number of active contract services provided by us increased by 4.8%, that is by 599,042, to 13,017,749 in Q3'16. We recorded growth in the number of all services provided in the contract model.
- We noted the highest growth dynamics with respect to the number of contract services provided in the area of broadband Internet access due, among other things, to the broad coverage offered by our network, as well as its top quality proven by a survey by UKE published in January 2016. As at the end of Q3'16, we provided 1,722,056 mobile Internet RGUs in the contract model, that is 204,726, or 13.5%, more than as at the end of Q3'15.
- The number of pay TV services provided in the contract model amounted to 4,679,114 as at the end of Q3'16, which constitutes an increase by 282,753, or 6.4% YoY. This increase in due, among other things, to the growing popularity of our Multiroom service (increase by almost 81K provided services year on year), as well as to increasing sales of OTT paid services.
- The number of provided mobile telephony services in the contract model increased by 111,563, or 1.7%, reaching the level of 6,616,579 as at the end of Q3'16. This growth was driven by the successful implementation of our strategy of cross-selling, as well as by the intensified migration of users of prepaid services to contract tariffs. We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM, will positively influence the growth of the number of contract RGUs provided by us in the future.
- In line with the assumptions of our long-term strategy, we aim to maximize revenue per contract customer through cross-selling, i.e., the sale of additional products and services to the joined customer bases of Cyfrowy Polsat and Polkomtel, among others within the framework of our program smartDOM, which has a positive impact on ARPU per contract customer. As a result of the implementation of our multiplay strategy, we continue to record a successive increase of ARPU in the contract services segment. ARPU per customer increased by 0.6% to PLN 88.6 in Q3'16. Factors contributing to a lower growth dynamics of APRU per contract customer in Q3'2016 include the intensified migration of users of prepaid services, characterized by a relatively low ARPU, to contract tariffs, as well as the regulation of roaming tariffs and gradual reduction of the scale of sales of telecommunication contracts comprising subsidized equipment
- Our churn rate decreased by 1.7 pp. to 8.5% in the twelve-month period ended September 30, 2016. This is primarily the effect of the systematically growing loyalization of our customers connected with the successful implementation of our multiplay strategy, as well as the continued price stabilization on the highly competitive telco market.
- The saturation of our customer base with additional services offered in bundles is systematically growing. As at end of Q3'16 each customer in our customer base had on average 2.22 active contract services which constitutes an YoY increase of 6.2% compared to Q3'15. The increase in RGU saturation per customer is the result of our marketing and sales activities aimed at maximizing the sale of products and services to a single customer.
- Our bundled services offer, the smartDOM program in particular, is still very popular and continues to record very good sales results, which has a positive effect on the level of RGU saturation per customer, ARPU per contract customer, and the churn rate. At the end of Q3'16, already 1,233,768 customers were part of the program, which constitutes an increase of 334,200, or 37.2%, YoY. This group of customers had a total of 3,645,993 RGUs. RGU saturation per customer in this group was close to 3x as at the end of Q3'16. Bearing in mind the long-term goal of our Group, which is to maximize revenue per contract customer through cross-selling, the smartDOM program is perfectly in line with the implementation of our strategy.

• Prepaid services

- The number of prepaid services provided by us as at the end of Q3'16, decreased by 11.3% YoY. The erosion of the prepaid RGUs base is driven mainly by the statutory obligation to register newly

purchased prepaid SIM cards starting from July 25, 2016, that led to a significant decline in the number of new activations in Q3'16 on the entire market. The decrease of our prepaid RGUs base is further deepened by the encouraged by us and intensified migration of our prepaid tariff users towards the contract services segment, which is driven by relatively more attractive terms of post-paid tariffs, as well as discounts offered in the smartDOM program.

- ARPU per prepaid RGU decreased by 1.6% in Q3'16 to PLN 18.7. In Q3'2016 ARPU growth in the prepaid segment recorded in the first half of 2016 remained under pressure from short-term promotions aimed at encouraging our users to register their prepaid cards early.

Broadcasting and television production segment

	Q3		
	2016	2015	% change
Audience share¹, including:	24.6%	25.2%	-2.5%
POLSAT (main channel)	13.0%	12.8%	1.2%
Thematic channels	11.6%	12.4%	-6.4%
Advertising market share²	27.4%	27.2%	0.7%
Television ad market expenditure³ (mPLN)	811	811	0.1%

¹ NAM, All 16-49, all day, SHR%

² Our estimates based on SMG Poland data (formerly SMG Starlink)

³ SMG Poland, air time and sponsorship

- Very good viewership results:
 - Polsat's main channel and Polsat Group are the viewership leaders in the commercial group,
 - Good start of the autumn programming.
- Revenue from advertising and sponsorship in Q3'16 increased by 0.7% YoY (during this period the whole market grew at a rate of 0.1%) to PLN 222m, thanks to what our share in the TV advertising market increased to 27.4%.
- We expect a low single digit growth of the TV advertising and sponsorship market in 2016.