

- In Q3'17 Polsat Group revenue were stable at **PLN 2,391m**. Revenue dynamics was mainly affected by the following factors:
  - Decrease of retail revenue was primarily due to lower revenue from voice services. Several factors contributed to the erosion of revenue from voice services, in particular the full implementation of the *Roam Like at Home* regulation (according to the company's earlier forecasts, the loss of retail revenues due to RLAH will exceed PLN 100m *per annum*), the change in the model of offering equipment to retail customers and a lower number of prepaid activations, which is related to the statutory obligation of prepaid SIM registration. The decrease in retail revenue was partially compensated by higher revenue from pay TV and higher revenue from mobile Internet access services.
  - Increase in wholesale revenue primarily as a result of growing revenue from IC settlements. Dynamic growth of wholesale revenue was distorted to a certain degree by the effect of a high base in the comparative period, as in Q3'16 wholesale revenue comprised additional revenue related to the multichannel monetization of sports rights to the EURO UEFA 2016 tournament.
  - Higher revenue from sales of equipment, mainly due to higher revenue from installment plan sales of equipment related to the increasing share of this model in equipment sales, as well as to our customers' increased demand for more advanced and expensive devices.
- In Q3'17 Polsat Group's costs increased YoY by 1.9% to **PLN 1,976m**. Their level was mainly influenced by:
  - Decrease in depreciation, amortization, impairment and liquidation costs due to the termination of the amortization period of certain intangible and legal assets, acquired alongside Polkomtel in 2014, as well as lower costs of depreciation of the telecommunication infrastructure which is connected to the termination of the depreciation period of selected elements of this infrastructure.
  - Increase in technical costs as a result of higher costs related to a significant increase in the traffic volume generated by Poles in international roaming (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks.
  - Higher content costs are due primarily to higher costs of sports rights, which was related, *i.a.*, to the broadcasting of the 2017 Men's and Women's European Volleyball Championship and the tennis grand slam US Open tournament, as well as higher costs of programming licenses related to increasing popularity of our premium programming packages among our pay TV customers.
  - Higher distribution, marketing, customer relation management and retention costs, among others, due to the intensification of marketing campaigns and higher distribution costs, which was reflected in very good sales results.
- Revenue from advertising and sponsorship of TV Polsat Group increased by 4.0% YoY in Q3'17, to **PLN 231m**, while the whole market declined by 0.7%. As a result of higher dynamics of advertising revenue of TV Polsat channels as compared to market dynamics, the Group's market share increased to **28.6%**.
- EBITDA of Polsat Group, amounting to **PLN 851m**, recorded a YoY decrease of 11.1% with EBITDA margin of **35.6%**.
- In Q3'17, EBITDA remained under the strong, adverse effect of the *Roam Like at Home* regulation, which translated into a decrease in margins on international roaming services by PLN 62 million YoY, which consisted of a decrease in revenue (total retail + wholesale) by PLN 21 m and an increase in costs by PLN 41m.
- An additional factor influencing the negative EBITDA dynamics in Q3'17 was the high base of Q3'16 resulting from the positive one-off event - the broadcasting of the UEFA EURO 2016 tournament.
- EBIT of Polsat Group amounted to **PLN 422m** and decreased YoY by 6.1%.
- Finance costs decreased by 17.7% YoY, primarily due to the decline in costs of interest on bonds following the early redemption of the Litenite Notes in April 2017, as well as lower interest costs related to the service of the Combined SFA as a result of repayments according to schedule and a lower margin resulting from a lower level of indebtedness of the Group.
- Net profit of the Group decreased by 12.9% YoY to **PLN 235m**.
- Adjusted FCF after interest amounted to **PLN 163m** in Q3'17 (PLN 1,109m in the nine-month period), which was influenced, among others, by the accumulation of payments, including, *i.a.*, roaming charges, sports content purchases and the annual UMTS license fee. At the same time, the LTM result reached **PLN 1.567m** (YoY growth of 1.5%).
- The main bank covenant – net debt/EBITDA based on the carrying amount and in relation to the reported LTM EBITDA amounted to **2.83x** in Q3'17.
- Key performance indicators in Q3'17:
  - Total number of RGUs at the level of **16.410m**, 82.4% of which are RGUs provided in the contract model
  - Contract customer base totaled **5.792m**
    - ARPU per customer decreased by 0.2% YoY, to **PLN 88.4**, mainly as a result of the RLAH regulation (assuming a stable level of roaming revenue, **contract ARPU would have increased by 1.2% YoY in Q3'17**). We also expect that the RLAH regulation may adversely affect the rate of growth of contract ARPU over the next three quarters,
    - RGU saturation of **2.34** per customer with an upward trend,

- o Low churn rate of **8.8%**.
- Growth of the total base of contract services by ca **512K** YoY (3.9%):
  - o Increase of **248K** (3.8%) of mobile telephony RGUs is the result of the favorable effects of our multiplay strategy, supported in the transition period by a more intensive migration of customers from the prepaid segment,
  - o Growth of the number of pay TV RGUs by **203K** (4.3%), driven by continued demand for the Multiroom service, as well as good sales of paid OTT services,
  - o Growth in the number of mobile Internet RGUs by **61K** (3.5%).
- Continuation of the multiplay strategy:
  - o Effective strategy results in faster sales and a stable increase in the number of customers of the multiplay offer by 69K QoQ in Q3'17 (more than in Q1 and Q2'17 together),
  - o The number of RGUs owned by smartDOM customers increased to 4.31m,
  - o Low churn level, mainly due to our multiplay strategy.
- Stabilization of the prepaid base with high ARPU:
  - o Stable prepaid base of 2.9m services, reflecting the actual number of users,
  - o Dynamically growing ARPU as a result of cleansing the customer base of the so-called *one time users* and also thanks to the end of registration-related promotions.

## Financial results of Cyfrowy Polsat Group

in mPLN	Q3'17	YoY change	Market consensus <sup>1</sup>	Difference
<b>Revenue, incl.:</b>	<b>2,391</b>	<b>0%</b>	<b>2,375</b>	<b>0.7%</b>
- Retail revenue	1,494	-6%	n/a	n/a
- Wholesale revenue	588	5%	n/a	n/a
- Sale of equipment	265	20%	n/a	n/a
- Other revenue	44	121%	n/a	n/a
<b>Operating costs, incl.:</b>	<b>1,976</b>	<b>2%</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	529	15%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	429	-15%	n/a	n/a
- Cost of equipment sold	323	-2%	n/a	n/a
- Content costs	270	7%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	224	11%	n/a	n/a
- Salaries and employee-related costs	127	-2%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	21	274%	n/a	n/a
- Other costs	52	4%	n/a	n/a
<b>EBITDA</b>	<b>851</b>	<b>-11%</b>	<b>857</b>	<b>-0.7%</b>
<i>EBITDA Margin</i>	35.6%	-4.5pp	36.1%	-0.5pp
EBIT	422	-6	407	3.6%
Net profit	235	-13%	247	-4.9%

<sup>1</sup> based on estimates prepared by: BDM, Citi, DB, DM BOŚ, DM mBank, ERSTE, Haitong, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Trigon, Wood&Co

## Services to individual and business customers segment

	3Q		
	2017	2016	YoY change
Total number of RGUs (EOP) (contract + prepaid)	<b>16,410,325</b>	<b>16,545,653</b>	<b>(0.8%)</b>
<b>CONTRACT SERVICES</b>			
Total number of RGUs (EOP), including:	<b>13,530,164</b>	<b>13,017,749</b>	<b>3.9%</b>
Pay TV, including:	4,882,505	4,679,114	4.3%
<i>Multiroom</i>	1,072,513	982,068	9.2%
Mobile telephony	6,864,787	6,616,579	3.8%
Internet	1,782,872	1,722,056	3.5%
<b>Number of customers (EOP)</b>	<b>5,791,841</b>	<b>5,860,884</b>	<b>(1.2%)</b>
ARPU per customer [PLN]	88.4	88.6	(0.2%)
Churn	8.8%	8.5%	0.3 p.p.
RGU saturation per customer	2.34	2.22	5.4%
<b>PREPAID SERVICES</b>			
Total number of RGUs (EOP), including:	<b>2,880,161</b>	<b>3,527,904</b>	<b>(18.4%)</b>
Pay TV	63,627	44,913	41.7%
Mobile telephony	2,623,950	3,223,224	(18.6%)
Internet	192,584	259,767	(25.9%)
ARPU per prepaid RGU [PLN]	20.2	18.7	8.0%

- **The total number of services** provided by the Group both in the contract and prepaid models amounted to 16,410,325.
- At the end of Q3'17 the share of contract services in the total number of provided services was 82.4%. This indicator increased YoY from 78.7%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5,791,841 as at the end of Q3'17, which constitutes a decrease by 1.2% YoY. The main driver behind the decline of the contract customer base was the outflow of single-play customers, especially with a mobile telephony service, as well as further merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.4% YoY). In line with our strategic assumptions, we avoid conducting an aggressive sales policy on individual products and

concentrate 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 contract services provided by us increased by 512,415, that is by 3.9% YoY, to 13,530,164 as at the end of Q3'17. We recorded growth in the number of all services provided in the contract model.
  - The number of pay TV services provided in the contract model amounted to 4,882,505 as at the end of Q3'17, which constitutes an increase by 203,391, or 4.3% YoY. This increase is due in particular to the growing popularity of our Multiroom service (YoY increase by over 90 thousand, to 1.07 million RGUs), as well as to dynamically increasing sales of paid OTT services.
  - The number of provided mobile telephony services in the contract model increased by 248,208, or 3.8% YoY, reaching the level of 6,864,787 as at the end of Q3'17. This growth was driven by the successful implementation of our strategy of cross-selling, as well as by the temporarily intensified migration of users of prepaid services to contract tariffs.
  - In terms of mobile broadband, as at the end of Q3'17, we provided 1,782,872 RGUs in the contract model, that is by 60,816, or 3.5%, more than at the end of Q3'16. 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., selling additional products and services to the customer base of Cyfrowy Polsat and Polkomtel, among others within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In Q3'17 ARPU remained stable and amounted to PLN 88.4, from PLN 88.6, recorded in the corresponding period of 2016. ARPU in Q3'17 was significantly negatively impacted by the levelling of retail roaming charges with domestic fees across the European Economic Area as of June 15, 2017 (the *Roam Like at Home* regulation). We also anticipate that this impact may adversely affect the rate of growth of contract ARPU over the next three quarters.
  - Our churn rate amounted to 8.8% in the twelve-month period ended September 30, 2017, compared to 8.5% in the twelve-month period ended September 30, 2016, remaining at a low, stable level. This is primarily the effect of the systematically growing loyalty of our customers connected with the successful implementation of our multiplay strategy.
  - 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 level of RGU saturation per customer, ARPU per contract customer and the churn rate.
  - As at the end of Q3'17, already 1,443,581 customers were using our bundled offer, which constitutes an increase of 209,813 customers, or 17.0%, YoY. This means that the saturation of our customer base with multiplay services was at the level of 24.9% at the end of Q3'17. This group of customers had a total of 4,305,938 RGUs, that is by 659,945, or 18.1%, more than in the previous year. In Q2'17 we addressed the bundled services offer also to customers who subscribe to services in low-end tariffs, which has a positive influence on the growth dynamics of the multiplay customer base, as well as on the blended level of ARPU across the entire customer base. Bearing in mind the long-term goal of our Group - the maximization of revenue per contract customer through cross-selling - our bundled services offer is perfectly in line with our strategy.
- **Prepaid services**
    - The number of prepaid services provided by us as at the end of Q3'17 decreased by 647,743, that is by 18.4% YoY. The year on year erosion of the prepaid RGU base was 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 on the entire market, as well as the obligation to

deactivate after February 1, 2017 all prepaid SIM cards that had not been validly registered. As opposed to other large operators on the Polish market, we decided to report only validly registered prepaid SIM cards as of February 1, 2017. Combined with very good sales the above resulted in an increase of the number of provided prepaid services (in all categories) by 26 thousand QoQ.

- In Q3'17 prepaid ARPU increased by 8.0% YoY to PLN 20.2. High growth dynamics of prepaid ARPU in both analyzed periods of 2017 was, among other things, the effect of the elimination of SIM cards characterized by low ARPU (so called one-time use cards) from the base, as well as the expiration of the effect of promotions aimed at encouraging users to register their prepaid cards early, as these promotions had a negative impact on APRU in the prepaid segment in Q3'16.

## Broadcasting and television production segment

	Q3		
	2017	2016	YoY change
<b>Audience share<sup>(1)</sup>, including:</b>	<b>24.43%</b>	<b>24.50%</b>	<b>-0.07pp</b>
POLSAT (main channel)	11.96%	12.91%	-0.95pp
Thematic channels	12.47%	11.59%	0.88pp
<b>Advertising market share<sup>2</sup></b>	<b>28.6%</b>	<b>27.3%</b>	<b>1.3 pp</b>
<b>Television ad market expenditure<sup>3</sup> (mPLN)</b>	<b>809</b>	<b>815</b>	<b>-0.7%</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, air time and sponsorship

- Polsat Group and Polsat's main channel are the viewership leaders in the commercial group
- Revenue from TV advertising and sponsorship of TV Polsat Group in Q3'17 increased by 4.0% YoY (during this period the whole market declined by 0.7%) to PLN 231m, and as a consequence our share in the TV advertising market increased by 1.3pp YoY to 28.6%.
- Based on observations of the advertising market in 9M 2017, we expect the TV advertising and sponsorship market to remain relatively stable YoY throughout 2017.