

- 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" items), which leads to an increase 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 without restating the comparative figures for 2018. In order to ensure full comparability of the data for the three-month periods ended September 30, 2019 and September 30, 2018, financial figures in the income statement for the three-month period ended September 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 Q3'19 Polsat Group's revenue based on hitherto applicable accounting standards amounted to **PLN 2,882m** and increased YoY by 5.4% (**revenue after the implementation of IFRS 16 amounted to PLN 2,892m**). Their level was mainly influenced by the following factors:
 - The decrease of **retail revenue** was primarily due to lower revenue from voice services which was partly compensated by higher revenue from pay TV and data transmission services.
 - The increase in **wholesale revenue** was triggered primarily by the inclusion of new TV channels in our wholesale offering, in particular the Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators. Furthermore, we recorded higher revenue from advertising and sponsoring and from the sale of programming sublicenses for sports events. In turn, we recorded a year-on-year decrease in revenues from providing national roaming services to the operator of Play network.
 - Higher revenue from **sale of equipment**, mainly due to year-on-year higher sales volumes and an increasing share of more expensive models among end-user devices sold, which was also reflected in the higher cost of equipment sold.
- In Q3'19 Polsat Group's costs based on hitherto applicable accounting standards amounted to **PLN 2,433m** and increased YoY by 3.7% (**costs after the implementation of IFRS 16 amounted to PLN 2,437m**). Their level was mainly influenced by the following factors:
 - The increase in **content costs** was mostly the result of higher cost of internal and external production associated with the enriched autumn scheduling of the main channel and higher amortization of sports rights related to, in particular, the Polsat Sport Premium channels launched in August 2018 which broadcast, among others, football games of the UEFA Champions League and the UEFA Europa League. 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 as well as a cumulation of volleyball events in Q3'19 were additional factors contributing to the increase of content costs.
 - Lower **depreciation, amortization, impairment and liquidation costs** due to, among others, the termination of the amortization period related to the 800 MHz bandwidth license and the extension of depreciation periods of certain elements of the mobile network.
 - Higher **cost of equipment sold** as a consequence of higher sales volumes of equipment sold and a higher share of more expensive models among end-user devices sold.
 - Higher **distribution, marketing, customer relation management and retention** costs was mainly due to higher marketing costs and higher cost of sales commissions.
- Revenue from advertising and sponsorship of TV Polsat Group increased by 3.7% YoY in Q3'19, to PLN 250m, while the whole market grew by 1.9%. As a result, our share in the TV advertising and sponsorship market increased to 28.1%.
- EBITDA of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 901m** and recorded a YoY decrease of 2.0%, with an EBITDA margin of **31.3%**. **EBITDA after the implementation of IFRS 16 amounted to PLN 1,021m with an EBITDA margin of 35.3%**.
- EBIT of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 453m** and increased YoY by 14.2%. **EBIT after the implementation of IFRS 16 amounted to PLN 459m**.
- Finance costs, net based on hitherto applicable accounting standards, decreased by 3.6% YoY. This decrease was caused mainly by lower interest expenses on loans and bonds, resulting from the return to scheduled repayments of the Combined SFA during 2019, as well as the refinancing of bonds executed in 2019.
- Net profit of the Group, based on hitherto applicable accounting standards, increased by 8.8% YoY to **PLN 247m**. **Net profit of the Group after the implementation of IFRS 16 amounted to PLN 237m**.
- Adjusted FCF after interest amounted to **PLN 244m** in Q3'19 (**PLN 1,368m** in the twelve-month period, **in line with the company's expectations**), influenced by higher investments and higher purchases of equipment for customers.

- The main bank covenant – net debt/EBITDA LTM **based on hitherto applicable accounting standards (terms and conditions of the Combined SFA)**, after payment of the first tranche of dividends, was at the level of **2.62x** in Q3'19.
- Key performance indicators in Q3'19 (excl. consolidation of Netia Group's results):
 - Total number of RGUs at the level of **17.267m**, 84.5% of which are RGUs provided in the contract model,
 - Contract customer base totaled **5.644m**:
 - Contract ARPU amounted to **PLN 84.8** in Q3'19, **growing YoY by 1.0%** compared to PLN 84.0 in Q3'18,
 - RGU saturation of **2.58** per customer with an upward trend,
 - Churn is still in a downward trend, once again reaching a record low level (**6.8%**).
 - Growth of the total base of contract services by **531K** YoY (3.8%),
 - Increase of **543K** (7.5%) 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),
 - Stable base of pay TV and Internet 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 220K YoY,
 - The total number of customers using bundled offers exceeded the level of 1.95m,
 - The share of customers using multiplay packages reached 34.5%,
 - The number of RGUs owned by customers of bundled services increased to 5.89m,
 - Record low churn (6.8%), mainly thanks to our multiplay strategy.
 - Stable, high prepaid ARPU:
 - Growth of the number of provided prepaid services (QoQ) to the level of 2.7m services, mainly thanks to the high sale of IPLA packages,
 - High and stable ARPU at **PLN 20.8** in Q3'19.

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

in mPLN	Q3'19	Market consensus ¹	Difference
Revenue, incl.:	2,892	2,844	1.7%
- Retail revenue	1,618	n/a	n/a
- Wholesale revenue	791	n/a	n/a
- Sale of equipment	413	n/a	n/a
- Other revenue	71	n/a	n/a
Operating costs, incl.:	2,437	n/a	n/a
- Technical costs and cost of settlements with telecommunication operators	576	n/a	n/a
- Depreciation, amortization, impairment and liquidation	562	n/a	n/a
- Cost of equipment sold	341	n/a	n/a
- Content costs	421	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	257	n/a	n/a
- Salaries and employee-related costs	199	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	20	n/a	n/a
- Other costs	62	n/a	n/a
EBITDA	1,021	1,013	0.8%
<i>EBITDA margin</i>	35.3%	35.6%	<i>-0.3pp</i>
EBIT	459	455	0.9%
Net profit	237	243	-2.6%

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

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

in mPLN	Q3'19	Difference
Revenue, incl.:	2,882	5%
- Retail revenue	1,618	-1%
- Wholesale revenue	791	7%
- Sale of equipment	413	26%
- Other revenue	61	77%
Operating costs, incl.:	2,433	4%
- Technical costs and cost of settlements with telecommunication operators	664	-2%
- Depreciation, amortization, impairment and liquidation	449	-14%
- Cost of equipment sold	341	21%
- Content costs	423	25%
- Distribution, marketing, customer relation management and retention costs	261	10%
- Salaries and employee-related costs	199	7%
- Cost of debt collection services and bad debt allowance and receivables written off	20	-43%
- Other costs	77	11%
EBITDA	901	-2%
<i>EBITDA margin</i>	31.3%	-2.3pp
EBIT	453	14%
Net profit	247	9%

Services to individual and business customers segment²

	Q3		
	2019	2018	YoY change
Total number of RGUs (EOP) (contract + prepaid)	17,266,759	16,851,153	2.5%
CONTRACT SERVICES			
Total number of RGUs (EOP), including:	14,587,869	14,057,045	3.8%
Pay TV, including:	5,033,398	5,038,210	(0.1%)
<i>Multiroom</i>	<i>1,180,891</i>	<i>1,141,820</i>	<i>3.4%</i>
Mobile telephony	7,752,113	7,209,240	7.5%
Internet	1,802,358	1,809,595	(0.4%)
Number of customers (EOP)	5,644,291	5,712,151	(1.2%)
ARPU per customer [PLN]	84.8	84.0	1.0%
Churn	6.8%	7.9%	(1.1 pp)
RGU saturation per customer	2.58	2.46	4.9%
PREPAID SERVICES			
Total number of RGUs (EOP), including:	2,678,890	2,794,108	(4.1%)
Pay TV	142,886	91,261	56.6%
Mobile telephony	2,443,295	2,550,355	(4.2%)
Internet	92,709	152,492	(39.2%)
ARPU per prepaid RGU [PLN]	20.8	20.8	0.0%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.5% to 17.267m.
- At the end of Q3'19 the share of contract services in the total number of provided services was 84.5%. This indicator increased YoY from 83.4%.
- **Contract services:**
 - The total number of customers to whom we provided contract services amounted to 5,644m as at the end of Q3'19, which constitutes a decrease by 1.2% 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 4.9% YoY).
 - The number of contract services provided by us increased by 531K, that is by 3.8% YoY, to 14.588m as at the end of Q3'19.
 - The number of pay TV services provided in the contract model amounted to 5.033m as at the end of Q3'19 and remained on a similar level compared to Q3'18.

² 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 provided mobile telephony services in the contract model increased by 543K, or 7.5% YoY, reaching the level of 7.752m as at the end of Q3'19. 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 1.802m RGUs as at the end of Q3'19 and decreased by 7K, or 0.4% 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 Q3'19 the average revenue per contract customer increased by 1.0% YoY to PLN 84.8.
 - Our churn rate amounted to 6.8% in the twelve-month period ended September 30, 2019, decreasing by 1.1 p.p. as compared to 7.9% in the twelve-month period ended September 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 Q3'19 already 1.947m customers were using our bundled services, which constitutes an increase of 220K customers, or 12.7%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 34.5% at the end of Q3'19. This group of customers had a total of 5.885m RGUs, that is by 716K, or 13.8%, more than in Q3'18. In the beginning of 2018 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 Q3'19 decreased by 115K, that is by 4.1% YoY, to 2.679m.
 - 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 the fourth quarter of 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. Due to that, starting from the fourth quarter of 2018 the services used by customers using 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 portion of prepaid customers decides to use the contract services offering.
 - In Q3'19, average revenue per prepaid RGU (prepaid ARPU) reached PLN 20.8 and remained unchanged compared to Q3'18.

Broadcasting and television production segment

	Q3		
	2019	2018	zmiana r/r
Audience share⁽¹⁾, including:	24.82%	25.05%	(0.23pp)
POLSAT (main channel)	10.99%	11.33%	(0.34pp)
Thematic channels	13.84%	13.73%	0.11pp
Advertising market share⁽²⁾	28.1%	27.6%	0.5pp
Market expenditures on TV advertising and sponsorship⁽³⁾ (mPLN)	888	872	1.9%
Revenue from advertising and sponsorship of TV Polsat Group⁽⁴⁾ (mPLN)	250	241	3.7%

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 Group and its main channel are the viewership leaders in the commercial group.
- Revenue from advertising and sponsorship of TV Polsat Group increased by 3.7% YoY in Q3'19, to PLN 250m, while the whole market grew by 1.9%. As a result, our share in the TV advertising and sponsorship market increased to 28.1%.
- We maintain our expectations that the TV advertising and sponsorship market is likely to show low growth over the whole of 2019.