

- In Q4'17 Polsat Group revenue increased YoY by 1.7% to **PLN 2,579m**. Revenue dynamics was mainly affected by the following factors:
  - Decrease of retail revenue, 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 may reach ca. PLN 100m *per annum* in the twelve month period starting June 15, 2017), 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.
  - Increase in wholesale revenue primarily as a result of growing revenue from IC settlements, which in turn was the effect of the increasing volume of traffic exchanged with other networks, higher advertising revenue as well as higher revenue from the wholesale sale of traffic in domestic and international roaming.
  - 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 Q4'17 Polsat Group's costs amounted to **PLN 2,139m** and remained at a stable level YoY. Their level was mainly influenced by the following factors:
  - 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.
  - 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.
  - Decrease in the cost of equipment sold as a consequence of a lower volume of sales of end-user devices.
  - Higher content costs are due to primarily higher in-house production costs connected with expanding our programming offer.
  - Higher distribution, marketing, customer relation management and retention costs, among others, due to the intensification of marketing campaigns and higher costs of customer service and retention.
- Revenue from advertising and sponsorship of TV Polsat Group increased by 5.1% YoY in Q4'17, to **PLN 353m**, while the whole market grew by 5.6%. Advertising revenue of TV Polsat channels grew in-line with market dynamics, thanks to what the Group's market share remained at a stable level of **27.0%**.
- EBITDA of Polsat Group, amounting to **PLN 873m**, recorded a YoY decrease of 3.3% with EBITDA margin of **33.8%**.
- In Q4'17, 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 36 million YoY.
- EBIT of Polsat Group amounted to **PLN 438m** and increased YoY by 12.3%.
- Finance costs decreased by 14.2% YoY, primarily due to the decline in costs of interest on bonds following the early redemption of the Litenite Notes in April 2017.
- Net profit of the Group decreased by 54% YoY to **PLN 157m**, primarily due to a one-off write-off on deferred income tax liabilities.
- Adjusted FCF after interest amounted to **PLN 578m** in Q4'17 (PLN **1,688m** in the twelve-month period), which was influenced among others by higher current liabilities.
- The main bank covenant – net debt/EBITDA LTM amounted to **2.91x** in Q4'17.
- Key performance indicators in Q4'17:
  - Total number of RGUs at the level of **16,523m**, 82.8% of which are RGUs provided in the contract model
  - Contract customer base totaled **5,777m**
    - ARPU per customer decreased by 1.9% YoY, to **PLN 89.0**, mainly as a result of the RLAH regulation. We also expect that the RLAH regulation may adversely affect the rate of growth of contract ARPU over the next two quarters,
    - RGU saturation of **2.37** per customer with an upward trend,
    - Low churn rate of **8.8%**.
  - Growth of the total base of contract services by ca. **430K** YoY (3.2%):
    - Increase of **202K** (3.0%) of mobile telephony RGUs is the result of the favorable effects of our multiplay strategy,
    - Growth of the number of pay TV RGUs by **176K** (3.7%), driven by continued demand for the Multiroom service, as well as good sales of paid OTT services,
    - Growth in the number of mobile Internet RGUs by **52K** (3.0%).

- 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 62K QoQ in Q4'17,
  - o The number of RGUs owned by smartDOM customers increased to 4.52m,
  - o Low churn level, mainly due to our multiplay strategy.
- Stabilization of the prepaid base with high ARPU:
  - o Stable prepaid base of 2.8m services, reflecting the actual number of users,
  - o Dynamically growing ARPU (YoY +4.7%), high ARPU (20.1 PLN) 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	Q4'17	YoY change	Market consensus <sup>1</sup>	Difference
<b>Revenue, incl.:</b>	<b>2,579</b>	<b>2%</b>	<b>2,559</b>	<b>0.8%</b>
- Retail revenue	1,498	-6%	n/a	n/a
- Wholesale revenue	736	12%	n/a	n/a
- Sale of equipment	299	12%	n/a	n/a
- Other revenue	47	111%	n/a	n/a
<b>Operating costs, incl.:</b>	<b>2,139</b>	<b>-0.1%</b>	<b>n/a</b>	<b>n/a</b>
- Technical costs and cost of settlements with telecommunication operators	534	13%	n/a	n/a
- Depreciation, amortization, impairment and liquidation	435	-15%	n/a	n/a
- Cost of equipment sold	358	-6%	n/a	n/a
- Content costs	321	8%	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	243	9%	n/a	n/a
- Salaries and employee-related costs	164	0%	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	10	-31%	n/a	n/a
- Other costs	74	-4%	n/a	n/a
<b>EBITDA</b>	<b>873</b>	<b>-3%</b>	<b>872</b>	<b>0.1%</b>
<i>EBITDA Margin</i>	33.8%	-1.8pp	34.1%	-0.3pp
EBIT	438	12%	426	2.8%
Net profit <sup>2</sup>	157	-54%	256	-38.6%

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

<sup>2</sup> 11 of 12 analysts' consensus forecasts does not include the one-off resulting from a change in the deferred income tax liability in the amount of PLN 144 million, of which the company informed on March 5, 2018.

## Services to individual and business customers segment

	4Q		
	2017	2016	YoY change
<b>Total number of RGUs (EOP)</b> (contract + prepaid)	<b>16,522,597</b>	<b>16,524,936</b>	<b>(0.0%)</b>
<b>CONTRACT SERVICES</b>			
<b>Total number of RGUs (EOP), including:</b>	<b>13,685,044</b>	<b>13,254,598</b>	<b>3.2%</b>
Pay TV, including:	4,942,640	4,766,429	3.7%
<i>Multiroom</i>	1,099,582	1,021,720	7.6%
Mobile telephony	6,932,676	6,730,427	3.0%
Internet	1,809,728	1,757,742	3.0%
<b>Number of customers (EOP)</b>	<b>5,776,598</b>	<b>5,882,804</b>	<b>(1.8%)</b>
ARPU per customer [PLN]	89.0	90.7	(1.9%)
Churn	8.8%	8.3%	0.5 p.p.
RGU saturation per customer	2.37	2.25	5.3%
<b>PREPAID SERVICES</b>			
<b>Total number of RGUs (EOP), including:</b>	<b>2,837,553</b>	<b>3,270,338</b>	<b>(13.2%)</b>
Pay TV	79,561	79,306	0.3%
Mobile telephony	2,579,613	2,972,443	(13.2%)
Internet	178,379	218,589	(18.4%)
ARPU per prepaid RGU [PLN]	20.1	19.2	4.7%

- **The total number of services** provided by the Group both in the contract and prepaid models amounted to 16,523 m.
- At the end of Q4'17 the share of contract services in the total number of provided services was 82.8%. This indicator increased YoY from 80.2%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5,777m as at the end of Q4'17, which constitutes a decrease by 1.8% 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 5.3% YoY to 2.37 RGU/customer in Q4'17).

- The number of contract services provided by us increased by 430K that is by 3.2% YoY, to 13,685m as at the end of Q4'17. We recorded growth in the number of all services provided in the contract model. We believe that further saturation of our customer base with integrated services will positively influence the growth of the number of contract RGUs provided by us in the future.
  - The number of pay TV services provided in the contract model amounted to 4,943m as at the end of Q4'17, which constitutes an increase by 176K or 3.7% YoY. This increase is due in particular to the growing popularity of our Multiroom service (YoY increase by nearly 78K, to 1.1m 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 202K, or 3.0% YoY, reaching the level of 6,933m as at the end of Q4'17. This growth was driven by the successful implementation of our strategy of cross-selling.
  - In terms of mobile broadband, as at the end of Q4'17, we provided 1,810m RGUs in the contract model, that is by 52K, or 3.0% YoY.
  - In Q4'17 ARPU decreased to PLN 89.0, from PLN 90.7, recorded in the corresponding period of 2016. ARPU in Q4'17 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 two quarters.
  - Our churn rate amounted to 8.8% in the twelve-month period ended December 31, 2017, compared to 8.3% in the twelve-month period ended December 31, 2016, remaining at a low 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 Q4'17, already 1,511m customers were using our bundled offer, which constitutes an increase of 204K customers, or 15.6%, YoY. This means that the saturation of our customer base with multiplay services was at the level of 26.2% at the end of Q4'17. This group of customers had a total of 4,520m RGUs, that is by 650K, or 16.8%, 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.
- **Prepaid services**
    - The number of prepaid services provided by us as at the end of Q4'17 decreased by 433K, that is by 13.2% YoY, to 2,838m where the decline was most pronounced in the first quarter of 2017 primarily driven by the statutory obligation to register newly purchased prepaid SIM cards starting from July 25, 2016. This regulation led to a significant decline in the number of new activations on the entire market and forced operators to deactivate all prepaid SIM cards that had not been validly registered as at February 1, 2017.
    - In Q4'17 prepaid ARPU increased by 4.7% YoY to PLN 20.1. 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 2H'16.

## Broadcasting and television production segment

	Q4		
	2017	2016	YoY change
<b>Audience share<sup>(1)</sup>, including:</b>	<b>24.39%</b>	<b>24.98%</b>	<b>-0.59pp</b>
POLSAT (main channel)	12.04%	13.47%	-1.43pp
Thematic channels	12.35%	11.51%	0.84pp
<b>Advertising market share<sup>2</sup></b>	<b>27.0%</b>	<b>27.1%</b>	<b>-0.1pp</b>
<b>Television ad market expenditure<sup>3</sup> (mPLN)</b>	<b>1,306</b>	<b>1,236</b>	<b>5.6%</b>

<sup>1</sup> NAM, All 16-49, all day, SHR%

<sup>2</sup> Our estimates based on Starcom data

<sup>3</sup> Starcom, air time and sponsorship

- Polsat Group and Polsat's main channel are among the leaders on terms of viewership in the commercial group
- Revenue from TV advertising and sponsorship of TV Polsat Group in Q4'17 increased by 5.1% YoY (during this period the whole market grew by 5.6%) to PLN 353m, and as a consequence our share in the TV advertising market remained stable at the level of 27.0%.
- Based on observations of the advertising market on the turn of 2017 and 2018 we expect the TV advertising and sponsorship market will show an average single-digit increase in YoY terms.