- *Starting from January 1, 2018, the Group is obligated to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The Group has decided to apply IFRS 15 retrospectively without restating the comparative figures for 2017. In order to ensure full comparability of the data for Q3'17 and Q3'18, financial figures in the income statement for Q3'18 have been presented in two ways: in accordance with the previously binding IAS 18 and in accordance with the newly applied IFRS 9 and IFRS 15.*
- *In the Management Board's opinion, when analyzing operational and financial results of the Group year-on-year, above all the comparability of applied accounting standards should be maintained. In particular, comparing the financial results for 2018, presented in accordance with IFSR 9 and IFRS 15, with the financial results for 2017, presented in accordance with the previously binding accounting standard (IAS 18), would lead, in the Management Board's opinion, to drawing the wrong conclusions concerning the Group's financial results.*
- In Q3'18 Polsat Group's revenue based on hitherto applicable accounting standards and excl. Netia Group's results increased YoY by 1.9% to **PLN 2,435m (revenues after the implementation of IFRS 15 and incl. Netia Group's results amounted to PLN 2,735m)**. Revenue dynamics was mainly affected by the following factors:
  - Stable level of **retail revenue** primarily due to lower revenue from voice services which was compensated by higher revenue from pay TV and data transmission services.
  - The increase in **wholesale revenue was** primarily due to the inclusion of new TV channels to our wholesale offering, in particular the Eleven Sports Network and Polsat Sport Premium packages, which resulted in higher revenue from cable and satellite operators. Furthermore, we recorded higher revenue from interconnection services due the increasing volume of traffic exchanged with other networks, as well as higher advertising revenue and higher revenue from the sale of programming sublicenses.
  - Lower revenue from **sale of equipment**, mainly due to a lower volume of sales of end-user devices, which was also reflected in the lower cost of equipment sold.
- In Q3'18 Polsat Group's costs based on hitherto applicable accounting standards and excl. Netia Group's results amounted to **PLN 2,044m** and increased YoY by 3.5% **(costs after the implementation of IFRS 15 and incl. Netia Group's results amounted to PLN 2,346m)**. Their level was mainly influenced by the following factors:
  - Increase in **content costs** was mostly the result of higher cost of internal and external production and amortization of sports rights due to, among others, the consolidation of the Eleven Sports Networks channels and the launch of the Polsat Sport Premium channels
  - Increase in **technical costs** mainly as a result of higher interconnection costs due to a higher volume of calls terminated by our customers in networks of other operators as well as higher costs of telecommunications network maintenance.
  - Increase in **amortization costs,** among others due to the shortening of the amortization period of certain tangible assets. .
  - Decrease in the **cost of equipment sold** as a consequence of a lower volume of sales of end-user devices.
- Revenue from advertising and sponsorship of TV Polsat Group increased by 4.1% YoY in Q3'18, to **PLN 241m**, while the whole market grew by 6.0%. In Q3'18, the level of TV Polsat Group revenues remained under the influence of the strong impact of The FIFA World Cup 2018 Russia tournaments aired on open stations of TVP, the public service broadcaster, in June and July 2018.
- EBITDA of Polsat Group, based on hitherto applicable accounting standards and excl. Netia Group's results, amounted to **PLN 848m** and was stable YoY, with an EBITDA margin of **34.8%**. **EBITDA after the implementation of IFRS 15 and incl. Netia Group's results amounted to PLN 920m with an EBITDA margin of 33.6%.**
- EBIT of Polsat Group, based on hitherto applicable accounting standards and excl. Netia Group's results, amounted to **PLN 396m** and decreased YoY by 6.2%. **EBIT after the implementation of IFRS 15 and incl. Netia Group's results** was at the same level (PLN 396m).
- Finance costs, net based on hitherto applicable accounting standards and excl. Netia Group's results decreased by 3.7% YoY, was caused mainly by lower interest expenses on loans and bonds, resulting from the scheduled repayments of the Combined SFA during 2017, as well as our Group's consistent policy of deleveraging.
- Net profit of the Group, based on hitherto applicable accounting standards and excl. Netia Group's results, decreased by 3.4% YoY to **PLN 227m**. **Net profit of the Group after the implementation of IFRS 15 and incl. Netia Group's results** was at the same level (PLN 227m).

- Adjusted FCF after interest was influenced by seasonal factors (UMTS fee, half-year coupon for bonds) amounted to **PLN 261m** in Q3'18 (PLN **1,509m** in the twelve-month period).
- The main bank covenant – net debt/EBITDA LTM fell to **2.83x** in Q3'18.
- Key performance indicators in Q3'18 (excl. consolidation of Netia Group's results):
  - Total number of RGUs at the level of **16.581m**, 83.4% of which are RGUs provided in the contract model,
  - Contract customer base totaled **5.712m:**
    - ARPU per customer decreased by 1.9% YoY, to **PLN 90.1**,
    - After applying the currently effective IFRS 15 standard, reported contract ARPU amounted to **PLN 84.0** in Q3'18, **growing YoY by 4.3%** compared to PLN 80.5 in Q3'17,
    - RGU saturation of **2.46** per customer with an upward trend,
    - churn in a downward trend, reaching a low level of **7.9%.**
  - Growth of the total base of contract services by **527K** YoY (3.9%):
    - Increase of **344K** (5.0%) 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).
    - Growth of the number of pay TV RGUs by **156K** (3.2%), 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 **27K** (1.5%).
  - Continuation of the multiplay strategy:
    - Effective strategy results in the stable increase in the number of customers of bundled services by 73K QoQ in Q3'18,
    - The total number of customers using bundled offers exceeded the level of 1.73m,
    - The percentage of customers using multiplay packages reached 30%,
    - The number of RGUs owned by customers of bundled services increased to 5.17m,
    - Record low churn (7.9%), mainly thanks to our multiplay strategy.
  - Stable prepaid base with high ARPU
    - Stable prepaid base of 2.8m services, reflecting the actual number of users,
    - High, stable ARPU at PLN **20.8** in Q3'18.

Financial results of Cyfrowy Polsat Group based on currently applicable IFRS 15 standard and incl. Netia Group’s results

in mPLN	Q3’18	Market consensus[1]	*Difference*
Revenue, incl.:	2,735	2,723	*0.4%*
- Retail revenue	1,631	n/a	n/a
- Wholesale revenue	742	n/a	n/a
- Sale of equipment	329	n/a	n/a
- Other revenue	34	n/a	n/a
Operating costs, incl.:	2,346	n/a	n/a
- Technical costs and cost of settlements with telecommunication operators	675	n/a	n/a
- Depreciation, amortization, impairment and liquidation	524	n/a	n/a
- Cost of equipment sold	281	n/a	n/a
- Content costs	339	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	237	n/a	n/a
- Salaries and employee-related costs	187	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	35	n/a	n/a
- Other costs	69	n/a	n/a
EBITDA	920	903	*1.9%*
EBITDA Margin	33,6%	33,2%	*0.4pp*
EBIT	396	388	*2.1%*
Net profit	227	209	*8.6%*

[2] *Based on estimates prepared by: Santander, DM BOŚ, DM mBanku, Haitong, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Trigon, Wood&Co*

Financial results of Cyfrowy Polsat Group based on hitherto applicable accounting standards (MSR 18) excl. Netia Group's results

in mPLN	Q3'18	*YoY change*
Revenue, incl.:	2,435	*2%*
- Retail revenue	1,482	*-1%*
- Wholesale revenue	678	*15%*
- Sale of equipment	238	*-10%*
- Other revenue	38	*-13%*
Operating costs, incl.:	2,044	*3%*
- Technical costs and cost of settlements with telecommunication operators	550	*4%*
- Depreciation, amortization, impairment and liquidation	452	*5%*
- Cost of equipment sold	277	*-14%*
- Content costs	324	*20%*
- Distribution, marketing, customer relation management and retention costs	217	*-3%*
- Salaries and employee-related costs	137	*8%*
- Cost of debt collection services and bad debt allowance and receivables written off	33	*55%*
- Other costs	53	*2%*
EBITDA	848	*0%*
EBITDA Margin	34.8%	*-0.8pp*
EBIT	396	*-6%*
Net profit	227	*-3%*

Services to individual and business customers segment[2]

	Q3		
	2018	2017	*YoY change*
Total number of RGUs (EOP) (contract + prepaid)	**16,851,153**	**16,410,325**	**2.7%**
CONTRACT SERVICES			
Total number of RGUs (EOP), including:	**14,057,045**	**13,530,164**	**3.9%**
Pay TV, including:	5,038,210	4,882,505	3,2%
Multiroom	*1,141,820*	*1,072,513*	*6.5%*
Mobile telephony	7,209,240	6,864,787	5.0%
Internet	1,809,595	1,782,872	1.5%
Number of customers (EOP)	**5,712,151**	**5,791,841**	**(1.4%)**
ARPU per customer acc. to IFRS 15 [PLN]	84.0	80.5	4.3%
ARPU per customer acc. to IAS 18 [PLN]	90.1	88.4	1.9%
Churn	7.9%	8.8%	(0.9 p.p.)
RGU saturation per customer	2.46	2.34	5.1%
PREPAID SERVICES			
Total number of RGUs (EOP), including:	**2,794,108**	**2,880,161**	**(3.0%)**
Pay TV	91,261	63,627	43.4%
Mobile telephony	2,550,355	2,623,950	(2.8%)
Internet	152,492	192,584	(20.8%)
ARPU per prepaid RGU [PLN]	20.8	20.2	3.0%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.7% to 16.851m.
- At the end of Q3'18 the share of contract services in the total number of provided services was 83.4%. This indicator increased YoY from 82.4%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5.712m as at the end of Q3'18, which constitutes a decrease by 1.4% 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 5.1% YoY).
  - The number of contract services provided by us increased by 527K that is by 3.9% YoY, to 14.057m as at the end of Q3'18. We recorded growth in the number of all types of services provided in the contract model. We believe that further saturation of our customer base with integrated services, including our

[2] *KPIs regarding services to individual and business customers segment do not take into account the consolidation of the Netia Group's results.*

flagship product smartDOM to which we consistently add new products, 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 5.038m as at the end of Q3'18, which constitutes an increase by 156K or 3.2% YoY. This increase is mainly due in particular to the growing popularity of our Multiroom service (YoY increase by nearly 69K, to over 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 344K, or 5.0% YoY, reaching the level of 7.209m as at the end of Q3'18. 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).

– In terms of mobile broadband, as at the end of Q3'18, we provided 1.810m RGUs in the contract model, that is increase by 27K, or 1.5% YoY.

– After applying the currently effective IFRS 15 standard, reported contract ARPU amounted to PLN 84.0 in Q3'18, growing YoY by 4.3% compared to PLN 80.5 in Q3'17.

– Based on the previous reporting standard IAS 18, in Q3'18 ARPU increased by 1.9% to PLN 90.1.

– Our churn rate amounted to 7.9% in the twelve-month period ended September 30, 2018, decreasing by 0.9 p.p. as compared to 8.8% in the twelve-month period ended September 30, 2017. 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.

– Our bundled services offer, based on a mechanism of offering attractive discounts 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 Q3'18, already 1.728m customers were using our bundled services, which constitutes an increase of 284K customers, or 19.7%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 30.3% at the end of Q3'18. This group of customers had a total of 5.170m RGUs, that is by 864K or 20.1%, more than in the corresponding period of 2017. In Q1'18 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 Q3'18 decreased by 86K, that is by 3.0% YoY, to 2.794m. The regulation implemented by the policymaker in 2016 imposed an obligation on customers to register newly purchased prepaid SIM cards which led to a significant decline in the number of new activations on the entire market. In parallel, thanks to the continuous unification of prices between tariff plans for contract and prepaid customers, a significant portion of them decided to use the contract services offering.

– In Q3'18, average revenue per prepaid RGU (prepaid ARPU) amounted to PLN 20.8 as compared to PLN 20.2 in the corresponding period of 2017.

Broadcasting and television production segment

	Q3		
	2018	2017	*YoY change*
Audience share(1), including:	25.05%	23.81%	*1.24pp*
POLSAT (main channel)	11.33%	11.96%	*-0.63pp*
Thematic channels	13.73%	11.85%	*1.88pp*
Advertising market share(2)	27.6%	28.1%	*-0.5pp*
Market expenditures on TV advertising and sponsorship(3) (mPLN)	873	823	*6.0%*
Revenue from advertising and sponsorship of TV Polsat Group(4) (mPLN)	241	231	*4.1%*

[1] NAM, All 16-49, all day, SHR%
[2] Our estimates based on Starcom data
[3] Starcom, preliminary data, spot advertising and sponsorship
[4] Revenue from advertising and sponsorship of TV Polsat Group according to Starcom's definition

- Polsat Group's viewership in line with its strategy despite the temporary impact of The FIFA World Cup 2018.
- Revenue from TV advertising and sponsorship of TV Polsat Group in Q3'18 increased by 4.1% YoY to PLN 241m, and as a consequence our share in the TV advertising market reached 27.6%. The level of TV Polsat Group revenues was influenced by the strong impact of The FIFA World Cup 2018 Russia tournaments aired on open stations of TVP, the public service broadcaster, in June and July 2018.
- We expect the TV advertising and sponsorship market to maintain high single-digit dynamics throughout 2018.

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