- 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 Q1’17 and Q1’18, financial figures in the income statement for Q1’18 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 Q1'18 Polsat Group’s revenue based on hitherto applicable accounting standards decreased YoY by 1.2% to **PLN 2,361m** (revenues after the implementation of IFRS 15 amounted to PLN 2,346m). Revenue dynamics was mainly affected by the following factors:
  - Decrease of **retail revenue** was primarily due to lower revenue from voice services. In particular, the erosion of revenue from voice services resulting from the full implementation of the *Roam Like at Home* regulation, which imposed the levelling of retail roaming charges with domestic charges from June 2017, and the change in the model of offering equipment to retail customers (successive transition from the subscription model to installment plan model). The decrease in retail revenue was partially compensated by higher revenue from pay TV.
  - Increase in **wholesale revenue** primarily due to higher advertising revenue, resulting from the increased pricing of TV advertising which was observed on the market in the first quarter of 2018 and the simultaneous inclusion in December 2017 of new TV channels to the Group’s portfolio as well as higher revenue from interconnection services, which in turn was the result of the increasing volume of traffic exchanged with other networks.
  - Lower revenue from **sale of equipment**, mainly due to lower volume of sales of the end-user equipment, reflected also in the lower cost of equipment sold.

- In Q1'18 Polsat Group’s costs based on hitherto applicable accounting standards amounted to **PLN 1,903m** and decreased YoY by 1.8% (costs after the implementation of IFRS 15 amounted to PLN 1,917m). Their level was mainly influenced by the following factors:
  - Increase in **technical costs** mainly as a result of higher costs of purchasing traffic in international roaming, related to a significant increase in the volume of traffic generated by Poles (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs due to the growing volume of calls terminated by our customers in networks of other operators.
  - Decrease in **amortization costs,** among others due to the termination of the amortization period of certain intangible assets, recognized upon the acquisition of Polkomtel in 2014, which was partially offset by shortening of the amortization period of certain tangible assets.
  - Lower **cost of equipment sold** as a consequence of a lower volume of sales of end-user devices.
  - Higher **salaries and employee-related costs** due to, among others, concluded acquisitions and the related increase in Group’s headcount as well as an increase in average salary per employee (including a bonus provision).
  - Lower **cost of debt collection services and bad debt allowance** mainly due to a lower cost of write-offs on off-billing receivables.

- Revenue from advertising and sponsorship of TV Polsat Group increased by 15.1% YoY in Q1’18, to **PLN 269m**, while the whole market grew by 9.6%. Advertising revenue of TV Polsat channels have outperformed the market due to organic growth as well as the favorable contribution of the TV channels acquired in December 2017 and the fast achievement of synergies announced at the time of the acquisition. In effect, the Group's market share increased to 26.9%.

- EBITDA of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 919m and** recorded a YoY decrease of 1.2% with an EBITDA margin of **38.9%**. EBITDA after the implementation of IFRS 15 amounted to PLN 890m with an EBITDA margin of 37.9%. In Q1'18, EBITDA remained under the strong, adverse effected of the *Roam Like at Home* regulation, which translated into a decrease in margins on international roaming services by PLN 25 million YoY. At the same time, high growth in advertising revenue translated into a 25% increase of EBITDA in the TV segment (PLN 135m in Q1'18).

- EBIT of Polsat Group, based on hitherto applicable accounting standards, amounted to **PLN 464m** and increased YoY by 1.6%. EBIT after the implementation of IFRS 15 amounted to PLN 436 PLN.

- Finance costs based on hitherto applicable accounting standards decreased by 61% YoY, primarily due to lower interest expenses on loans and borrowings, resulting from repayments of the Combined SFA according to schedule and a lower margin related to a lower level of indebtedness, as well as our Group’s consistent policy of deleveraging. Furthermore, in March 2018 we renegotiated the terms and conditions of the Combined SFA which resulted, among others, in extending the agreement’s term. This resulted in a one-time non-cash reduction of finance costs in the first quarter of 2018 due to extending the amortization period of costs related to the acquisition of financing incurred in 2015.

- Net profit of the Group, based on hitherto applicable accounting standards, increased by 16.2% YoY to **PLN 316m**. Net profit of the Group after the implementation of IFRS 15 amounted to PLN 292m.
- Adjusted FCF after interest amounted to **PLN 275m** in Q1’18 (PLN **1,482m** in the twelve-month period).
- The main bank covenant – net debt/EBITDA LTM amounted to **2.87x** in Q1’18. At the same time during Q1'18 the Group repaid PLN 550m under the Revolving Facility Loan.
- Key performance indicators in Q1’18:
  - Total number of RGUs at the level of **16.579m**, 83.2% of which are RGUs provided in the contract model,
  - Contract customer base totaled **5.744m:**
    - ARPU per customer decreased by 0.4% YoY, to **PLN 88.7**, mainly as a result of the RLAH regulation. We anticipate that this impact will adversely affect the rate of growth of contract ARPU yet in Q2’18,
    - After applying the currently effective IFRS 15 standard, reported contract ARPU amounted to **PLN 81.9** in Q1’18, **growing YoY by 2.0%** compared to PLN 80.3 in Q1'17.
    - RGU saturation of **2.40** per customer with an upward trend,
    - Low churn rate of **8.5%.**
  - Growth of the total base of contract services by **459K** YoY (3.4%):
    - Increase of **213K** (3.1%) 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,
    - Growth of the number of pay TV RGUs by **198K** (4.1%), 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 **48K** (2.7%).
  - Continuation of the multiplay strategy:
    - Effective strategy results in the stable increase in the number of customers of bundled services by 61K QoQ in Q1’18,
    - The total number of customers using bundled offers exceeded the level of 1.57m,
    - The number of RGUs owned by customers of bundled services increased to 4.70m,
    - Low churn level, mainly due to our multiplay strategy.
  - Stabilization of the prepaid base with high ARPU:
    - Stable prepaid base of 2.8m services, reflecting the actual number of users,
    - High ARPU (20.1 PLN). The end of registration-related promotions, which affected the level of ARPU in Q1'17, results in a 7.5% YoY increase.

Financial results of Cyfrowy Polsat Group based on hitherto applicable accounting standards

in mPLN	Q1'18	*YoY change*	Market consensus[1]	*Difference*
Revenue, incl.:	**2,361**	***-1%***	**2,361**	***0.0%***
- Retail revenue	1,470	*-5%*	n/a	n/a
- Wholesale revenue	636	*13%*	n/a	n/a
- Sale of equipment	209	*-16%*	n/a	n/a
- Other revenue	46	*31%*	n/a	n/a
Operating costs, incl.:	**1,903**	***-2%***	**n/a**	**n/a**
- Technical costs and cost of settlements with telecommunication operators	504	*8%*	n/a	n/a
- Depreciation, amortization, impairment and liquidation	454	*-4%*	n/a	n/a
- Cost of equipment sold	258	*-20%*	n/a	n/a
- Content costs	269	*2%*	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	205	*-3%*	n/a	n/a
- Salaries and employee-related costs	144	*13%*	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	12	*-38%*	n/a	n/a
- Other costs	55	*7%*	n/a	n/a
EBITDA	919	*-1%*	897	*2.4%*
EBITDA Margin	38.9%	*0.0pp*	38.0%	*0.9pp*
EBIT	464	*2%*	461	*0.8%*
Net profit	316	*16%*	298	*6.0%*

[1] *Based on estimates prepared by: BZ WBK, Citi, DM BOŚ, DM mBanku, ERSTE, Haitong, Ipopema, Pekao Investment Banking S.A., PKO BP, RCB, Wood&Co*

Financial results of Cyfrowy Polsat Group based on currently applicable IFRS 15 standard

in mPLN	Q1'18	Market consensus[2]	*Difference*
Revenue, incl.:	**2,346**	**2,327**	*0.8%*
- Retail revenue	1,352	n/a	n/a
- Wholesale revenue	636	n/a	n/a
- Sale of equipment	318	n/a	n/a
- Other revenue	40	n/a	n/a
Operating costs, incl.:	**1,917**	**n/a**	**n/a**
- Technical costs and cost of settlements with telecommunication operators	505	n/a	n/a
- Depreciation, amortization, impairment and liquidation	455	n/a	n/a
- Cost of equipment sold	272	n/a	n/a
- Content costs	269	n/a	n/a
- Distribution, marketing, customer relation management and retention costs	205	n/a	n/a
- Salaries and employee-related costs	144	n/a	n/a
- Cost of debt collection services and bad debt allowance and receivables written off	12	n/a	n/a
- Other costs	55	n/a	n/a
EBITDA	**890**	**863**	*3.2%*
EBITDA Margin	37.9%	37.1%	*0.8pp*
EBIT	436	425	*2.5%*
Net profit	292	267	*9.4%*

[2] *Based on estimates prepared by: BZ WBK, 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

	Q1		
	2018	2017	*YoY change*
Total number of RGUs (EOP) (contract + prepaid)	16,579,337	16,216,128	2.2%
CONTRACT SERVICES			
Total number of RGUs (EOP), including:	**13,796,153**	**13,337,038**	**3.4%**
Pay TV, including:	4,984,391	4,785,947	4.1%
Multiroom	*1,114,833*	*1,031,294*	*8.1%*
Mobile telephony	6,997,850	6,785,002	3.1%
Internet	1,813,912	1,766,089	2.7%
Number of customers (EOP)	**5,743,832**	**5,847,401**	**(1.8%)**
ARPU per customer [PLN] [3]	88.7	89.1	(0.4%)
Churn	8.5%	8.5%	0.0 pp
RGU saturation per customer	2.40	2.28	5.3%
PREPAID SERVICES			
Total number of RGUs (EOP), including:	**2,783,184**	**2,879,090**	**(3.3%)**
Pay TV	75,159	48,224	55.9%
Mobile telephony	2,539,402	2,646,477	(4.0%)
Internet	168,623	184,389	(8.6%)
ARPU per prepaid RGU [PLN]	20.1	18.7	7.5%

- **The total number of services** provided by the Group both in the contract and prepaid models increased YoY by 2.2% to 16.579m.
- At the end of Q1'18 the share of contract services in the total number of provided services was 83.2%. This indicator increased YoY from 82.2%.
- **Contract services:**
  - The total number of customers to whom we provided contract services amounted to 5.744m as at the end of Q1'18, which constitutes a decrease by 1.8% 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 5.3% YoY).

[3] *ARPU figure for Q1'18 does not include the impact of the implementation of IFRS 15 Revenue from Contracts with Customers and was calculated based on the accounting standard in force until December 31, 2018 (IAS 18 in particular). Such an approach is intended to ensure comparability of figures given that the Company has decided to apply IRFS 15 without restating the figures for the comparative periods.*

The Group plans to modify the method of calculating ARPU in the future in order to adjust it to the requirements of IFRS 15. Applying IFRS 15 shall change the allocation between revenue from the sale of the equipment and retail revenue (a higher portion of total compensation shall be attributed to the equipment delivered in advance), which shall result in a decrease of ARPU. When implementing IFRS 15, contract ARPU would amount to PLN 81.9 in Q1'18, increasing by 2.0% as compared to PLN 80.3 in Q1'17. A decrease in reported ARPU results from allocating a portion of revenue from customers from the item "Retail revenue" to the item "Revenue from the sale of equipment", without any impact on our daily operations.

- The number of contract services provided by us increased by 459K that is by 3.4% YoY, to 13.796m as at the end of Q1'18. 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 4.984m as at the end of Q1'18, which constitutes an increase by 198K or 4.1% YoY. This increase is due in particular to the growing popularity of our Multiroom service (YoY increase by nearly 83K, 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 213K, or 3.1% YoY, reaching the level of 6.998m as at the end of Q1'18. 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.
- In terms of mobile broadband, as at the end of Q1'18, we provided 1.814m RGUs in the contract model, that is by 48K, or 2.7% YoY.
- Based on the previous reporting standard IAS 18, in Q1'18 ARPU decreased to PLN 88.7, from PLN 89.1, recorded in the corresponding period of 2017.
- After applying the currently effective IFRS 15 standard, reported contract ARPU amounted to PLN 81.9 in Q1'18, growing YoY by 2.0% compared to PLN 80.3 in Q1'17.
- ARPU in Q4'17 was still 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 anticipate that this impact will affect the rate of growth of contract ARPU yet in Q2'18.
- Our churn rate amounted to 8.5% in the twelve-month period ended March 31, 2018, remaining unchanged as compared to the corresponding period of 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 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. As at the end of Q1'18, already 1.572m customers were using our bundled offer, which constitutes an increase of 247K customers, or 18.6%, YoY. This means that the saturation of our customer base with multiplay services was at the level of 27.4% at the end of Q1'18. This group of customers had a total of 4.701m RGUs, that is by 754K, or 19.1%, more than in the previous year. In Q1'18, we lifted entry thresholds to the smartDOM program, thus making our bundled services offering available to all customers on identical terms, which translated positively into the growth dynamics 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 Q1'18 decreased by 96K, that is by 3.3% YoY, to 2.783m. 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 Q1'18 prepaid ARPU increased by 7.5% YoY to PLN 20.1. High growth dynamics of prepaid ARPU in Q1'18 was, among other things, due to the expiration of the effect of promotions aimed at encouraging users to register their prepaid cards early and which reduced ARPU in Q1'17.

Broadcasting and television production segment

	Q1		
	2018	2017	*YoY change*
Audience share(1), including:	23.92%	23.59%	*+0.33pp*
POLSAT (main channel)	11.87%	12.70%	*-0.83pp*
Thematic channels	12.05%	10.89%	*+1.16pp*
Advertising market share(2)	26.9%	25.6%	*+1.3pp*
Market expenditures on TV advertising and sponsorship(3) (mPLN)	999	912	*+9.6%*
Revenue from advertising and sponsorship of TV Polsat Group(4) (mPLN)	269	234	*+15.1%*

[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 objectives of the Group.
- Revenue from TV advertising and sponsorship of TV Polsat Group in Q1'18 increased by 15.1% YoY (during this period the whole market grew by 9.6%) to PLN 269m, and as a consequence our share in the TV advertising market increased to the level of 26.9%.
- We maintain our expectations on the average single-digit growth rate of the TV advertising and sponsorship market throughout 2018.