CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the three month period ended
September 30, 2016

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TABLE OF CONTENTS

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2016

POLSAT GROUP AT A GLANCE

Polsat Group is Poland's leading multimedia group. Within the scope of our activities we provide a comprehensive array of integrated media and telecommunication services within the following areas:

- pay digital TV services offered by Cyfrowy Polsat – the largest pay TV provider in Poland and one of the leading satellite platforms in Europe. We offer our customers access to over 170 TV channels, including over 70 channels in high definition standard, as well as additional modern OTT services (e.g. Cyfrowy Polsat GO, PPV, VOD Home Movie Rental, TV online, catch-up TV) and Multiroom. We also provide online video services through IPLA – the leader on Poland's online video market;

- mobile telecommunication services, including voice and data transmission services, which we provide mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators;

- mobile broadband Internet, offered under two alternative brands: Cyfrowy Polsat and Plus. We provide these services in the state-of-the-art LTE and LTE-Advanced technologies. We offer the largest LTE coverage in Poland and our customers attain the highest data transmission speed among offers provided by national mobile network operators technologies;

- broadcasting and television production through Telewizja Polsat, leading commercial TV broadcaster on the Polish market, offering 29 popular TV channels, including 13 in HD standard.

- wholesale services to other operators, including i.a. network interconnection, transit of traffic and national and international roaming services.

The Group operates in two business segments: the segment of services to individual and business customers which relates to the provision of services to the general public and the broadcasting and television production segment.

Our mission and main strategic goals

Our mission is to create and deliver the most attractive TV content, telecommunication products and other services for the home, as well as residential and business customers, using state-of-the-art technologies to provide top quality multi-play services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

The main goal of our strategy is the permanent growth of the value of Cyfrowy Polsat for its shareholders. We intend to achieve this goal by implementing the major elements of our operational strategy which include:

- growth of revenue from services provided to residential and business customers through consistent building of the value of our customer base by maximizing the number of users of our services as well as the number of services offered to each customer, while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction,
- growth of revenue from produced and purchased content by expanding its distribution, maintaining the audience shares of our channels and improving our viewer profile,
- effective management of the cost base of our integrated media and telecom group by exploiting its inherent synergies and economies of scale, and
- effective management of the Group's finances, including its capital resources.

DISCLAIMERS

This constitutes the quarterly Report of Cyfrowy Polsat Capital Group S.A. prepared as required by Paragraph 82 section 1 and 2 and Paragraph 87 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions of recognizing as equal the information required under non-member states' regulations.

Presentation of financial data and other information

References to the Company and Cyfrowy Polsat contained in this Report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group (hereafter "Report") apply to Cyfrowy Polsat S.A. and all references to the Group, Polsat Group, Capital Group, Cyfrowy Polsat Group or Cyfrowy Polsat Capital Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply only to the Company. A glossary of terms used in this Report is presented at the end of this document.

Financial and operating data

This quarterly Report contains financial statements and financial information relating to the Company and the Group. In particular, this quarterly Report contains our quarterly condensed consolidated financial statements for the nine-month period ended September 30, 2016 and quarterly condensed financial statements for the nine-month period ended September 30, 2016. The financial statements attached to this quarterly Report have been prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" ("IAS 34") and are presented in millions of zlotys. The financial statements have not been audited by an independent auditor.

Certain arithmetical data contained in this Report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Report may not conform exactly to the total figure given for that column or row.

Currency presentation

Unless otherwise indicated, all references to "PLN" or "zloty" in this Report are to the lawful currency of the Republic of Poland, all references to "USD" or "US dollars" are to the lawful currency of the United States and all references to "EUR" or the "euro" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98.

Forward looking statements

This Report contains forward looking statements relating to future expectations regarding our business, financial and operating results. These statements are expressed, without limitation, through words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this Report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by forward looking statements. We caution investors not to base investment decisions on such statements, which speak only as at the date of this Report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of publication of this Report.

Industry and market data

In this Report we set out information relating to our business and the markets in which we and our competitors operate. Information regarding the market, its size, the market share and market position, growth rates and other industry data relating to our business and markets in which we operate consists of data and reports compiled by various third-party entities and our internal estimates. We obtain market and industry data relating to our business from industry data providers, including:

- Eurostat, for data relating to the Polish economy and GDP growth;
- the Polish Chamber of Electronic Communication;
- the Office of Electronic Communications (UKE);
- the Central Statistical Office of Poland (GUS);
- the Body of European Regulators for Electronic Communications (BEREC);
- the European Commission (Digital Agenda Scoreboard);
- Nielsen Audience Measurement;
- SMG Poland (formerly SMG Starlink);
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2015-2019);
- ZenithOptimedia;
- Megapanel PBI/Gemius;
- PMR;
- GfK Polonia;
- e-marketer;
- Ericsson Mobility Report; and
- operators functioning on the Polish market.

We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases we have made statements in this Report regarding our industry and our position in the industry based on our own experience and our examination of market conditions. We cannot guarantee that any of these assumptions properly reflect our market position. Our internal surveys have not been verified by any independent sources.

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the three and nine-month periods ended September 30, 2016 and September 30, 2015. The selected financial data presented in the tables below is expressed in millions of PLN, unless otherwise stated. This information should be read in conjunction with our quarterly condensed consolidated financial statements for the nine-month period ended September 30, 2016 and the information included in item 4 of this Report – *Operating and financial review of Polsat Group*.

Selected financial data:

- from the consolidated income statement for the three-month periods ended September 30, 2016 and September 30, 2015 have been converted into euro at a rate of PLN 4.3406 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from July 1 to September 30, 2016;
- from the consolidated income statement and the consolidated cash flow statement for the nine month periods ended September 30, 2016 and September 30, 2015 have been converted into euro at a rate of PLN 4.3579 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1 to September 30, 2016;
- from the consolidated balance sheet data as at September 30, 2016 and December 31, 2015 have been converted into euro at a rate of PLN 4.3120 per EUR 1.00 (average exchange rate published by NBP on September 30, 2016).

Such translations shall not be viewed as a representation that such amounts expressed in zlotys actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

It should be noted that data for the periods of three and nine months ended September 30, 2016 are not fully comparable to data for the periods of three and nine months ended September 30, 2015 due to the acquisition of 100% of shares of IT Polpager S.A. on September 30, 2016, of 100% shares of Litenite Limited, the direct parent of Midas, on February 29, 2016, as well as the acquisition of 100% of shares in Radio PIN S.A. on February 27, 2015 and of 100% of shares in Orsen Holding Ltd. on April 1, 2015.

Consolidated balance sheet

	September 30, 2016		December 31, 2015	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents (1)	1,110.2	257.5	1,523.7	353.4
Assets	27,493.1	6,376.0	26,490.1	6,143.3
Non-current liabilities	13,004.8	3,016.0	7,773.5	1,802.8
Non-current financial liabilities	11,357.5	2,633.9	6,376.0	1,478.7
Current liabilities	3,454.8	801.2	8,466.5	1,963.5
Current financial liabilities	1,316.2	305.2	6,011.9	1,394.2
Equity	11,033.5	2,558.8	10,250.1	2,377.1
Share capital	25.6	5.9	25.6	5.9

(1) Includes Cash and cash equivalents, short-term deposits and restricted cash.

Consolidated cash flow statement

	for the 9-month period ended			
	September 30, 2016		September 30, 2015	
	mPLN	mEUR	mPLN	mEUR
Net cash flow from operating activities	2,140.9	491.3	2,109.8	484.1
Net cash flow from/(used in) investing activities	(1,138.8)	(261.3)	(576.3)	(132.2)
Net cash flow used in financial activities	(1,413.5)	(324.4)	(2,210.8	(507.3)
Net change in cash and cash equivalents	(411.4)	(94.4)	(677.3)	(155.4)

Consolidated income statement

	for the 3-month period ended September 30				for the 9-month period ended September 30			
	2016		2015		2016		2015	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Revenue	2,387.8	550.1	2,414.9	556.4	7,194.7	1,651.0	7,213.1	1,655.2
Retail revenue	1,583.7	364.9	1,643.3	378.6	4,736.3	1,086.8	4,932.5	1131.9
Wholesale revenue	562.9	129.7	616.9	142.1	1,807.7	414.8	1,858.9	426.6
Sale of equipment	221.3	51.0	131.2	30.2	585.2	134.3	356.5	81.8
Other sales revenue	19.9	4.6	23.5	5.4	65.5	15.0	65.2	15.0
Total operating cost	(1,938.7)	(446.6)	(1,900.1)	(437.8)	(5,928.7)	(1,360.4)	(5,708.6)	(1,309.9)
Content costs	(252.1)	(58.1)	(257.3)	(59.3)	(816.9)	(187.4)	(766.8)	(176.0)
Distribution, marketing, customer relation management and retention costs	(202.6)	(46.7)	(200.1)	(46.1)	(605.3)	(138.9)	(582.5)	(133.7)
Depreciation, amortization, impairment and liquidation	(507.9)	(117.0)	(401.2)	(92.4)	(1,459.1)	(334.8)	(1,262.6)	(289.7)
Technical costs and cost of settlements with mobile network operators	(459.2)	(105.8)	(551.2)	(127.0)	(1,466.1)	(336.4)	(1,555.9)	(357.0)
Salaries and employee-related costs	(130.5)	(30.1)	(122.3)	(28.2)	(406.6)	(93.3)	(392.2)	(90.0)
Cost of equipment sold	(330.5)	(76.1)	(314.9)	(72.5)	(974.6)	(223.6)	(939.2)	(215.5)
Cost of debt collection services and bad debt allowance and receivables written off	(5.7)	(1.3)	(8.5)	(2.0)	(31.6)	(7.3)	(55.0)	(12.6)
Other costs	(50.2)	(11.6)	(44.6)	(10.3)	(168.5)	(38.7)	(154.4)	(35.4)
Other operating income, net	-	-	14.4	3.3	13.4	3.1	36.9	8.5
Profit from operating activities	449.1	103.5	529.2	121.9	1,279.4	293.6	1,541.4	353.7
Gain/(loss) on investment activities, net	13.1	3.0	(5.2)	(1.2)	(43.5)	(10.0)	11.8	2.7
Financial costs	(127.3)	(29.3)	88.8	20.5	(443.2)	(101.7)	(394.6)	(90.5)
Share of the profit of joint venture accounted for using the equity method	-	-	0.5	0.1	-	-	1.9	0.4
Gross profit for the period	334.9	77.2	613.3	141.3	792.7	181.9	1,160.5	266.3
Income tax	(65.1)	(15.0)	(110.8)	(25.5)	(113.5)	(26.0)	(182.7)	(41.9)
Net profit for the period	269.8	62.2	502.5	115.8	679.2	155.9	977.8	224.4
Net profit attributable to equity holders of the Parent	278.2	64.1	502.5	115.8	691.4	158.7	977.8	224.4
Net profit/(loss) attributable to non-controlling interest	(8.4)	(1.9)	-	-	(12.2)	(2.8)	-	-
Basic and diluted earnings per share in PLN (not in millions)	0.42	0.10	0.79	0.18	1.06	0.24	1.53	0.35
Weighted number of issued shares	639,546,016		639,546,016		639,546,016		639,546,016	

Other consolidated financial data

	for the 3-month period ended September 30				for the 9-month period ended September 30			
	2016		2015		2016		2015	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
EBIDTA (1)	957.0	220.5	930.4	214.3	2,738.5	628.4	2.804.0	643.4
EBITDA margin	40.1%	40.1%	38.5%	38.5%	38.1%	38.1%	38.9%	38.9%
Operating margin	18.8%	18.8%	21.9%	21.9%	17.8%	17.8%	21.4%	21.4%
Capital expenditures, net (2)	153.7	35.4	154.8	35.7	389.5	89.4	419.2	96.2

(1) We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, net value of disposed property, plant and equipment and intangible assets, revenue obtained from interest, finance costs, positive/(negative) exchange rate differences, income taxes and share of net results of joint ventures. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets and net value of disposed property, plant and equipment and intangible assets.
We believe EBITDA serves as a useful supplementary financial indicator in measuring the profitability of media and telecommunication companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

(2) Capital expenditures, net represent payments for our investments in property, plant and equipment and intangible assets, reduced by income from the sale of fixed assets. It does not include expenditure on purchase of reception equipment leased to our customers, which are reflected in the cash flow from operating activities, or payments for telecommunication concessions.

1. ORGANIZATION OF CYFROWY POLSAT S.A. CAPITAL GROUP

1.1. Composition and structure of Polsat Group

The table below presents the organizational structure of Polsat Group as at September 30, 2016 compared to December 31, 2015, indicating the consolidation method.

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2016	December 31, 2015
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	non-current assets and intellectual property rights management	100%	100%
Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) [1]	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	-	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	broadcasting and television production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Nord License AS	Vollsvseien 13B, Lysaker Norway	trade of programming licenses	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	100%	100%
Polsat Ltd.	238A King Street, London W6 0RF, Great Britain	television broadcasting	100%	100%
Muzo.fm Sp. z o.o. (formerly Radio PIN S.A.)	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	holding activities	100%	100%
Polsat Brands (einfache Gesellschaft)	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
Gery.pl Sp. z o.o.[2]	Stanów Zjednoczonych 61 A, 04-028 Warsaw	web portals activities	-	100%
Netshare Sp. z o.o.	Stanów Zjednoczonych 61 A, 04-028 Warsaw	electronic media (Internet) advertising broker	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	other sport related activities (dormant)	100%	100%
Metelem Holding Company Limited	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol, Cyprus	holding activities	100%	100%

Company name	Registered office	Activity	Share in voting rights (%) as at September 30, 2016	Share in voting rights (%) as at December 31, 2015
Eileme 1 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 4 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ) (in liquidation)	Norrlandsgatan 18, 111 43 Stockholm, Sweden	financial activities	100%	100%
Liberty Poland S.A.	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Plus TM Management Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property right management and rental	100%	100%
LTE Holdings Limited	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%
IT Polpager S.A.(3)	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	maintenance of telco network	100%	-
Litenite Limited(4)	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	49%(5)
Midas S.A.(4)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	-
Aero2 Sp. z o.o.(4)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	-
Sferia S.A.(4)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	-
AltaLog Sp. z o.o.(4)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	-
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Grab Sarl	6, rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Grab Investment SCSp	6, rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	(6)	(6)
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2016	December 31, 2015
Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością Sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	provision of Premium-Rate services	100%	100%
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG, Great Britain	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18, 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%
Paszport Korzyści Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	maintenance of loyalty programs	49%	49%

(1) Disposal of shares in Rioni 1 AB on January 4, 2016.
(2) Merger of Netshare Sp. z o.o. with Gery.pl Sp. z o.o. on June 30, 2016.
(3) Company consolidated since September 30, 2016.
(4) Company consolidated since February 29, 2016.
(5) Due to restrictions related to a dividend and construction of the transactions related to the acquisition, investment in Litenite Limited was accounted for as investments in associates without equity pick-up as at December 31, 2015.
(6) Cyfrowy Polsat owns indirectly 100% of certificates.

Additionally, the following entities were included in the consolidated financial statements for the nine-month period ended September 30, 2016:

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2016	December 31, 2015
Karpacka Telewizja Kablowa Sp. z o.o. (1)	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25e/216 10-686 Olsztyn	Infrastructure project advisory	6.55%(2)	-

(1) Investment accounted for at cost less any accumulated impairment losses
(2) AltaLog Sp. z o.o. holds 9.918% share in voting rights in InPlus Sp. z o.o.

Changes in the organizational structure of Polsat Group and their effects

From January 1, 2016 until the date of approval of this Report, the following changes were implemented in the structure of Polsat Group. These changes are the effect of acquisitions as well as part of the process of optimizing the structure and processes realized within the Group.

Date	Change
January 4, 2016	Disposal of shares in Rioni 1 AB.
January 11, 2016	Transformation of Radio PIN S.A. into a limited liability company Muzo.fm Sp. z o.o.
January 29, 2016	Shares in Litenite Limited representing 49% of its share capital assigned for security in favor of LTE Holdings Limited (a subsidiary of Polkomtel) for the price of EUR 1.00 were transferred back to Ortholuck Limited for the price of EUR 1.00.
February 29, 2016	Acquisition by Polkomtel of 100% of shares in the share capital of Litenite Ltd., the direct owner of shares in Midas representing 65.9975% of the total number of votes and share capital in Midas.
April 27, 2016	Direct acquisition by Polkomtel, by way of a tender offer, of shares in Midas representing 27.2395% of the total number of votes and share capital in Midas.

Date	Change
May 31, 2016	Acquisition of Midas shares remaining in trading by way of a squeeze-out, as a result of which the Company holds indirectly, through Polkomtel and Litenite, 100% of shares in Midas.
June 30, 2016	Merger of Netshare Sp. z o.o. with Gery.pl Sp. z o.o.
September 30, 2016	Acquisition of 100% of shares in IT Polpager S.A. by Polkomtel.

1.2. Shareholders holding material bundles of shares of Cyfrowy Polsat

The following table presents shareholders of Cyfrowy Polsat possessing – according to our best knowledge – no less than 5% of votes at the General Meeting of the Company as at the date of approval of this Report, i.e. on November 8, 2016. Information included in the table is based on the information received from shareholders pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Reddev Investments Limited (1), including:	154,204,296	24.11%	306,709,172	37.45%
- privileged registered shares	152,504,876	23.85%	305,009,752	37.24%
- ordinary bearer shares	1,699,420	0.27%	1,699,420	0.21%
Embud Sp. z o.o. (2)	58,063,948	9.08%	58,063,948	7.09%
Karswell Limited (2)	157,988,268	24.70%	157,988,268	19.29%
Sensor Overseas Limited (3), including:	54,921,546	8.59%	81,662,921	9.97%
- privileged registered shares	26,741,375	4.18%	53,482,750	6.53%
- ordinary bearer shares	28,180,171	4.41%	28,180,171	3.44%
Others	214,367,958	33.52%	214,539,208	26.20%
Total	639,546,016	100.00%	818,963,517	100.00%

(1) Reddev Investments Limited is an indirect subsidiary of Mr. Zygmunt Solorz.
(2) Entity controlled by Mr. Zygmunt Solorz.
(3) Entity controlled by EVO Foundation with its registered seat in Vaduz, Liechtenstein.

Changes in the structure of ownership of significant number of shares of the issuer in the period since the publication of the last periodic report

Since the publication of the previous interim report, i.e. since August 25, 2016 (interim report for the first half of 2016) until the date of approval of this Report, i.e. November 8, 2016, no changes in the structure of ownership of significant packages of the Company's shares took place.

1.3. Shares of Cyfrowy Polsat owned by Management Board and Supervisory Board members

Management Board of Cyfrowy Polsat S.A.

As at the date of approval of this Report, i.e. November 8, 2016, and as at the date of publication of the previous periodic report (interim report for the first half of 2016) on August 25, 2016, the members of the Company's Management Board did not hold, directly or indirectly, shares of the Company.

Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares controlled directly or indirectly by members of the Company's Supervisory Board as at the date of preparation of this Report, i.e. November 8, 2016, and changes in their holdings since the date of publication of the previous financial report (interim report for the first half of 2016) on August 25, 2016. The information included in the table is based on information received from members of our Supervisory Board.

Supervisory Board Member	Balance as at 25.08.2016	Increases	Decreases	Balance as at 8.11.2016
Aleksander Myszka (1) *Member of the Supervisory Board*	-	50,000	-	50,000

(1) According to the Company's best knowledge, acquired during the Annual General Meeting convened for June 29, 2016, Mr. Aleksander Myszka acquires shares of the Company before his appointment to the Supervisory Board of the Company, ie. Before April 2, 2015.

As at August 25, 2016 Mr. Zygmunt Solorz, then holding the position of Chairman of the Supervisory Board, held indirectly 370,256,512 of shares in the Company. Mr. Zygmunt Solorz resigned from membership in the Supervisory Board effective on September 30, 2016.

2. Business review of Polsat Group

Polsat Group is the largest provider of integrated multimedia services in Poland. We are the leading pay TV provider and one of the leading telecommunications operators. We are also one of Poland's leading private broadcasters in terms of both audience and advertising market shares. We offer a complete bundle of multimedia services designed for the entire family: pay TV via satellite, terrestrial and online broadcasting, mobile telephony and data transfer services, broadband Internet access in 2G/3G and state-of-the-art LTE technologies. We also provide a wide array of wholesale services to other mobile network and television operators.

We operate in two business segments: the segment of services to individual and business customers, which relates to the provision of services to the general public, and broadcasting and television production.

In the segment of services to individual and business customers we provide services including digital television transmission signal, Internet access, mobile TV, online TV, mobile, wholesale services to other telecommunications operators, as well as sales of telecommunication equipment and production of set-top boxes. As at September 30, 2016 we had almost 5.9 million contract customers and companies from our Group provided a total of over 16.5 million RGUs, including over 13.0 million contract RGUs.

Our broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2.1. Segment of services to individual and business customers

Pay TV

We are the largest pay TV provider in Poland and a leading satellite platform in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services as well as market share. As at September 30, 2016 we provided over 4.7 million active pay TV services (including almost 1.0 million Multiroom services).

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family at attractive prices. At present we provide access to over 170 TV channels, including all of Poland's main terrestrial channels as well as general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. In addition, we offer our customers access to over 70 HD channels and also provide OTT services, such as Cyfrowy Polsat GO, VOD/PPV, online TV, catch-up TV and Multiroom HD services.

In June 2012, we expanded our service portfolio to include the Mobile TV service in the DVB-T standard, which enables the reception of real-time television on mobile devices. In 2016 we expanded the offer, thanks to which currently users of our Mobile TV service have access to 24 encrypted channels (12 television and 12 radio channels) and to all DTT channels.

As the only operator in Poland, we offer our customers our own high-quality set-top boxes at affordable prices. In the third quarter of 2016, our set-top boxes accounted for over 91% of all the set-top boxes sold or otherwise made available to our pay TV customers. By the end of September 2016 we had manufactured a total of over 7.4 million set-top boxes including 5.8 million HD units.

Online video

The IPLA service offered by our Group is the leader of the Polish video online streaming market, both in terms of compatibility with a broad range of end-user devices (including computers, tablets, smartphones, TV sets with Internet access, set-top boxes and game consoles) and in terms of content volume. IPLA also enjoys a leading position in terms of the number of users and the average time spent by a single user on watching streamed content. According to our data, in the third quarter of 2016 the average number of unique users of the IPLA website and application was approximately 3.3 million per month.

IPLA is the largest online television in Poland. It offers the broadest database of legal video content and live broadcasts: 77 online TV channels, an average of 200 hours monthly of live coverage of major national and international sports events, a vast and regularly expanded library of feature films, TV series and television programs provided by both Polish and international producers. IPLA offers its users access to content in the free of charge model accompanied by advertisements and the paid model, as well as the possibility to download content and view it offline. Approximately 90% of IPLA VOD content is available free of charge.

IPLA television is available to all users on the territory of Poland and has a special price offer for customers of Plus network and Cyfrowy Polsat. Access to IPLA is available irrespective of the provider of Internet access services on a wide variety of devices: tablets, handsets, computers, selected set-top boxes and smart TVs. Moreover, in the package IPLA WORLD, IPLA television is also available to users staying abroad.

Furthermore, our pay TV customers can also use our video on demand service VOD – Home Video Rental, offering paid access to new movies and hits via set-top boxes. The service requires no additional technological solutions, it can be accessed via a TV set, and is available only to customers who have an HD set-top box.

Mobile telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators. As at September 30, 2016 we provided nearly 9.8 million active mobile telephony services, both in the contract and the prepaid model.

We offer a comprehensive array of telecommunications services under the established umbrella brand “Plus” and our additional brand “Plush”, as well as under the brands of companies belonging to Midas Group. Our offer includes retail services, comprising contract and prepaid voice services as well as data transmission services encompassing basic mobile broadband services, MMS, value added services such as entertainment, information, telemedicine or Wi-Fi calling and comprehensive convergent telecommunication services for large businesses. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones which support the LTE technology. Our retail mobile telephony offering is addressed to individual and business customers, including major corporate accounts, small and medium-sized enterprises, and the SOHO (Small Office/Home Office) segment.

Broadband Internet

In 2011, we were the first commercial service provider in Poland to launch an LTE-based broadband Internet access service, offering technical features and quality parameters which allows to compete effectively with fixed-line Internet services, thus meeting the increasing demand of consumers. In addition, LTE-based broadband access offers mobility, which is a feature that has been increasingly more popular among consumers. As at the end of September 2016, LTE Internet and HSPA/HSPA+ Internet cover over 96.8% and nearly 100% of Poland’s population, respectively. As at September 30, 2016 we provided nearly 2.0 million broadband Internet access services, mostly in the contract model.

We provide a comprehensive array of data services to both residential and business customers under two alternative brands: Plus and Cyfrowy Polsat. We also offer broadband Internet in the prepaid model within our “JA+Internet na Kartę” (“I+Prepaid Internet”) tariff and as one of the elements of our prepaid offer “Plush”. Thanks to our LTE Internet access service combined with the set Home LTE Internet, created specifically for Cyfrowy Polsat and Polkomtel, we can offer customers a product that constitutes an excellent substitute for fixed-line Internet.

Additionally, pursuant to the provisions of the concession related to the purchase of the 2.6 GHz band, the company Aero2, a member of Midas Group, provides free of charge Internet access services, however with limited parameters (BDI offer). BDI customers have the possibility to purchase additionally paid data packages, which allow them to use the Internet with higher transfer speed and without a time limit on the duration of the session. BDI packages are sold in the prepaid model.

Our offering is complemented by a portfolio of dedicated devices (modems, routers, tablets, laptops, installation sets which allow better reception and distribution of signal via WiFi within the house, etc.), including equipment, which supports the LTE technology. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

Bundled services

Currently, the bundling of services is one of the strongest trends in the Polish media and telecommunications market. In keeping with the rapidly changing market environment and consumer expectations, we consistently implement out multi-play strategy by offering our customers a complete and unique service package based on pay TV, mobile telephony and broadband Internet access, complemented by additional services such as financial and banking services or sale of electric energy. Those services can be combined freely on an as-needed basis. Our broad range of bundled services is offered through a diverse array of digital distribution platforms, such as television sets, mobile handsets, computers and tablets.

smartDOM

As part of our strategy of integrating modern home products and services, Cyfrowy Polsat and Polkomtel promote the program smartDOM (smartHOME), a joint program which enables profitable bundling of innovative services offered by both operators. Customers of the program can combine, in a flexible way, such products as satellite TV, broadband LTE Internet, telephone, electricity, banking services or the purchase of household equipment and make savings on each service added to their package.

Within the smartDOM program we offer a promotion, marketed under the slogan "Second product half off, third for even PLN 1". The promotional program is based on a simple and flexible mechanism - a customer subscribed to one service with a specified value who purchases additional products of our Group, obtains attractive discounts throughout the entire term of the contract.

smartFIRMA (smartCOMPANY) is a similar program addressed to business customers, which allows to combine mobile telephony, LTE Internet and fixed-line voice services. The program also includes PlusBank products, electric energy from Plus, as well as a wide portfolio of supplementary services which support and enhance business

Wholesale business

As part of our wholesale business, we provide services to other telecommunication operators (such as network interconnection, national and international roaming, services to MVNOs, shared access to network assets and lease of network infrastructure).

Network interconnection

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to all operators domestically and abroad.

As part of interconnection cooperation with other operators, we actively use the service of termination of calls in the network of Poland's largest fixed-line operator, Orange, while relying on a flat fee arrangement. This arrangement offers the possibility of constructing competitive retail offers for calls made from our mobile telecommunications network to Orange's fixed-line network for business and mass market subscribers and enables us to substantially reduce interconnection costs.

Shared access to network assets and lease of telecommunications infrastructure

As a consequence of significant capital expenditures in the past, Polkomtel Group has an extensive telecommunications infrastructure, which allows handling constantly increasing usage of telecommunication products and services. In order to optimize costs of maintenance of our infrastructure, we share access to network assets and lease components of our network infrastructure from and/or to other telecommunication providers on the Polish market.

International roaming

Within our wholesale business we provide international roaming in services to foreign mobile operators that allow the subscribers of foreign mobile telecommunications network operators to use telecommunications services (including voice calls, text messaging and data transmission) when logged to Plus mobile network and outside their home network. We also enter into international roaming wholesale agreements in order to provide, both to our own customers and the subscribers of MVNOs, international roaming services in the networks of our roaming partners.

Cooperation with roaming partners represents a major part of sales in the wholesale segment. We develop our international roaming services by offering roaming services over our own network to subscribers of foreign operators, who are currently staying in Poland. In addition, we offer the wholesale roaming service over our own network to foreign operators under discount agreements in exchange for favorable terms offered by foreign partners for the handling of roaming traffic generated by our customers, who use roaming services abroad. This helps reduce costs of wholesale international roaming services incurred by us and enables the provision of competitive international roaming services (in terms of their price and quality) to our customers.

National roaming and virtual operators (MVNOs)

We provide wholesale access to our mobile telecommunications network based on different models of cooperation, which can be divided into two main groups: national roaming and virtual operators (MVNOs).

As part of the wholesale national roaming service, we offer voice calls, text messaging and packet data transmission services to P4, the operator of Play network. P4's subscribers use the Plus mobile telecommunications network in areas not covered by the P4 network, within the scope offered by P4.

Mobile Virtual Network Operators (MVNOs) are operators that provide mobile telephony, data services and fixed-lined telephony services based on mobile networks, but do not own frequency allocations nor necessarily have all technical infrastructure required to provide telecommunications services. Their operation is typically based on the frequency allocations and the infrastructure of existing MNOs throughout the country.

As part of the cooperation with MVNOs, we provide wholesale services including voice calls, text messaging and data transmission, premium rate services, value-added services, international roaming, services provided to specific governmental authorities and agencies, hosting services on our billing platform, customer support, as well as other services, depending on the needs and selected technical model of cooperation.

2.2. Broadcasting and television production segment

Production and sale of television channels

Our portfolio comprises 29 channels (13 of which are available in HD) including our flagship POLSAT, available in SD and HD formats, and 27 thematic channels. Following the process of optimization of our broadcasting network, at the end of October 2016 the broadcasting of several channels in SD standard was suspended, leaving only their HD versions.

POLSAT, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain the nationwide license for analogue broadcasting. POLSAT is one of the leading Polish TV channels in terms of shares in the commercial audience, aged 16-49, with a share of 12,95% in the third quarter of 2016. Telewizja Polsat broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2) and on local multiplexes (MUX-4L and MUX-TVS). Apart from terrestrial signal, POLSAT is also available in SD and HD formats from most cable networks and satellite platforms. The channel features a broad range of films, entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.

Thematic channels are television channels delivered primarily over the cable/satellite (in the paid model) and to a smaller extent over multiplexes in the terrestrial network (free of charge), which broadcast themed content, such as children's programs, films, sports, music, lifestyle, news or weather.

Thematic channel	Description
Polsat Sport Polsat Sport HD	Sports channel broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, handball, world class boxing and MMA contests), which include live broadcast. Polsat Sport HD broadcasts the content of the corresponding basic channel in HD standard.
Polsat Sport Extra Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon and handball Champions League. Polsat Sport Extra HD broadcasts the content of the corresponding basic channel in HD standard.
Polsat Sport News	Sports channel dedicated to sports news. It is an FTA channel broadcast within the DTT technology.
Polsat Sport Fight HD	Channel dedicated to martial arts, broadcasting, among others, HBO professional boxing galas, TOP Rank, Showtime, Matchroom and mixed martial arts KSW, MMA Attack, as well as coverages of Polsat Boxing Night.
Polsat Film Polsat Film HD	Movie channel broadcasting movie hits, top box office productions and non-mainstream movies from a library of major US movie studios. Polsat Film HD is a version of our movie channel offering high definition broadcast.
Polsat Cafe HD	Channel dedicated to women focusing on lifestyle, fashion and gossip as well as talk-shows. The channel broadcasts only in HD standard.

Thematic channel	Description
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series. The channel broadcasts only in HD standard.
Polsat 2 HD	Channel broadcasting reruns of programs that premiered on our other channels. The channel broadcasts only in HD standard.
Polsat News HD	24-hour news channel broadcasting live shows and covering primarily news from Poland and key international events, broadcast only in high definition.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society, current and international affairs. Addressed to viewers interested in economics.
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
CI Polsat	Criminal channel that takes its viewers to the world of crime providing the insight to criminal laboratories, police archives and courtrooms.
Polsat Food Network Polsat Food Network HD	Culinary channel, based on the content library of Food Network, one of the most popular channels on American television. This is a joint venture of TV Polsat and Scripps Network Interactive. The channel also broadcasts in HD standard.
Polsat Viasat Explore HD	Channel dedicated to men, simple-unusual people, who work hard and have fun realizing extraordinary dreams. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting. The channel broadcasts only in HD standard.
Polsat Viasat Nature	Nature channel targeted at the entire family, which allows viewers to accompany wildlife researchers, veterinary doctors and celebrities in their journeys and develop knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History HD	Channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time; the content features historical events, that influenced the world's history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting. The channel broadcasts only in HD standard.
TV4 TV4 HD	Nationwide entertainment channel, the programming offer of which includes feature movies, series, entertainment and popular science programs and sports. The channel is available in digital terrestrial television. The channel also broadcasts in HD standard.
TV6	Nationwide entertainment channel broadcasting popular entertainment formats in original versions, as well as series, entertainment programs and feature movies from Polsat's library. The channel is available in digital terrestrial television.
Polsat Romans	Channel created for and dedicated to women. The programming offer includes both feature movies as well as popular Polish and foreign series.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music.
MUZO.TV	Channel broadcasting rock and pop music as well as the best video clips, both the classics and the novelties. MUZO.TV is the second music channel in Polsat's programming offer.
Polsat 1	Channel addressed to Poles living abroad, broadcasts various productions from the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.

Sales of TV channel advertising airtime and sponsoring

Within out wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on data from SMG Poland (formerly SMG Starlink), we estimate that in the third quarter of 2016 Polsat Group channels captured 24.7% of the Polish TV advertising market worth approximately PLN 0.8 billion in that period.

A key factor with a bearing on our revenue from advertising and sponsoring time sale is our share in the total audience. Airtime on our channels is more attractive if the demographic profile of the audience meets advertisers' requirements. In order to make our airtime more attractive, our programming offering is carefully selected and broadcast during specific periods of the day.

Sale of channel broadcasting rights

Our channels are distributed by the majority of Polish cable networks, including such operators as UPC Polska Sp. z o.o., Multimedia Polska S.A. and Vectra S.A., and by all major satellite platforms (with the exception of sports channels, which are exclusive to the Cyfrowy Polsat platform), as well as over the IPTV system.

As a rule, agreements for the distribution of the Group's TV channels over cable and satellite networks do not include exclusivity clauses. Standard distribution agreements stipulate monthly fees for delivering the signal of the Group's channels to customers of a given network. The rates depend on the number of customers reached by our channels.

3. Significant events in the third quarter of 2016

3.1. Corporate events

Changes in the composition of the Management Board

On August 24, 2016, Mr. Tomasz Szeląg resigned from his position as Member of the Management Board of the Company, effective on September 30, 2016.

On August 25, 2016, the Supervisory Board appointed Ms. Katarzyna Ostap-Tomann to the position of Member of the Management Board effective on October 1, 2016.

Changes in the composition of the Supervisory Board

On September 30, 2016 Mr. Zygmunt Solorz resigned from membership in the Supervisory Board of the Company, effective immediately.

Pursuant to resolutions adopted on September 30, 2016 the Extraordinary General Meeting of the Company appointed Mr. Tomasz Szeląg and Mr. Marek Kapuściński to the Supervisory Board of the Company as of October 1, 2016. On October 25, 2016 the Supervisory Board appointed Mr. Marek Kapuściński to the function of Chairman of the Supervisory Board.

3.2. Business related events

Registration of prepaid SIM cards

The Anti-terrorist Act of June 10, 2016 obligates prepaid service users to register their SIM cards by providing their personal details to their mobile operator. The mobile operator is, in turn, obligated to properly verify the received data. Mandatory registration of both those cards which are already in use, as well as newly purchased cards, started on July 25, 2016 and will continue until February 1, 2017. In accordance with the provisions of the abovementioned act, on February 1, 2017, telecommunication operators will be obligated to deactivate all prepaid SIM cards that will not have been properly registered by that date.

To facilitate the registration process, we have provided access to numerous contact channels for prepaid service users, including Polkomtel's and Cyfrowy Polsat's own points of sale, remote access channels, as well as the outlets of selected nationwide partner networks, such as, e.g., Neonet, Ruch, Poczta Polska, Relay, Inmedio, 1Minute, or Statoil. Our customers can register their prepaid cards in over 8,800 points of sale all over Poland.

Concurrently, we have launched an information campaign and an attractive promotional offer with the purpose of encouraging customers to register early. Customers who register their SIM cards are offered one-time bonuses in the form of PLN 500 for use for calls and short text messages, as well as 50 GB of additional data transmission. The bonuses are valid for 30 days after the registration date. In addition, we offer the option of 1-year prepaid account validity with selected tariffs. We also carry out activities aimed at encouraging customers to migrate their prepaid services to a postpaid offer, e.g., by offering unlimited voice calls and short text messages, big data packs, and also by exempting the customers who decide to choose such an offer from payment of the monthly subscription fee for a specified period of time.

The effects of the prepaid card registration duty are already clearly visible after two months of the Anti-terrorist Act being in force. According to the data published by the Central Statistical Office (GUS), at the end of September 2016 the total base of reported SIM cards declined by around 935 thousand QoQ. The sales of new prepaid SIM cards recorded a sharp decrease on the market. According to our estimates, market-wide sales of new prepaid services have shrunk by over 50% since the moment of introduction of the mandatory registration.

European Football Championship UEFA EURO 2016

Based on the license acquired in 2013, Polsat Group had exclusive rights to all the meetings of the European Football Championship UEFA EURO 2016. For the duration of the EURO 2016 we launched a special package comprised of two sports channels - Polsat Sport 2 and Polsat Sport 3 – which offered live broadcasts of all 51 meetings, without advertisements and in HD quality, complemented with 200 hours of commentary, live coverages and other exclusive content. The UEFA EURO 2016 package was offered in the subscription model to retail customers of Polsat Group. Concurrently, we offered promotions, under which customers prolonging their pay TV or telecommunication contracts and subscribers of the

Premium MAX package received that UEFA EURO 2016 package free of charge, thus positively influencing ARPU and churn ratio.

The monetization of rights to the European Football Championship UEFA EURO 2016 was conducted via different channels and consisted in the sale of rights to 11 matches to TVP, the sale of subscriptions of the UEFA EURO 2016 package to cable and satellite operators and the sale of rights to publicly rebroadcast matches. Moreover, in accordance with applicable law, we aired 24 matches on our open channel POLSAT. The actions described above had a positive impact both on wholesale revenue in the segment of broadcasting and television production, retail revenue from pay TV, as well as on audience shares in June and July of 2016.

Implementation of an integrated IT environment

As an element of further operational integration of Plus and Cyfrowy Polsat, and also in connection with the pursued strategy of development on the bundled services' market, Polsat Group is currently implementing a new integrated system supporting sales and customer care as well as a convergent billing system for its products and services. The system is being implemented in cooperation with HUAWEI who provides the IT systems and who assumed responsibility for the implementation process as the integrator.

The purpose of the implementation is to redefine and standardize the sales processes and the offers across Polsat Group, as well as to provide a single, consistent and effective tool which will enable the management of sales and retail customer relations in all possible levels. The new approach is based on the omni-channel strategy – a multi-channel approach to sales, customer retention and customer support. The implemented system will enable even simpler and more effective management of sales, as well as a flexible response to changes on the market by making the launch of new products and services easier and faster. A central catalogue of the Group's services and products will be created, with one consistent and effective common sales solution for all customer contact channels.

The completion of the implementation phase of the project is planned for the end of 2018 and its costs have been distributed throughout the entire duration of the implementation process and have been included in the Group's investment plans assuming capital expenditures below 10% of the Group's revenue, as communicated earlier.

Expansion of TV Polsat's channel portfolio

On August 1, 2016 Telewizja Polsat expanded its portfolio of sports channels, already including Polsat Sport HD, Polsat Sport Extra HD and Polsat Sport News, by launching a new channel - Polsat Sport Fight HD. The channel is broadcast in HD standard, 7 days a week for at least 18 hours daily. Polsat Sport Fight HD is entirely devoted to martial arts, airing the biggest galas to which Telewizja Polsat holds broadcasting rights, including, among others, Polsat Boxing Night, HBO professional boxing nights, TOP Rank, Showtime, Matchroom and mixed martial arts - KSW, MMA Attack or FEN.

Expansion of the offer of IPLA online television

In August 2016 the largest online television IPLA, which belongs to Polsat Group, expanded its offer by including 31 online TV channels. Apart from thousands of videos on demand, popular films, series and animations, the widest array of legal sports broadcasts in Poland, news and journalistic videos, IPLA currently also offers as many as 77 online television channels. The offer is available to all users on the territory of Poland, irrespective of the provider of internet access services. IPLA is available on a wide selection of devices: computers, smartphones, tablets, selected set-top boxes and smart TV sets, without long-term contracts and commitments. The expansion of IPLA's offer is a strategic phase in its development and addresses the increasing needs of IPLA's users and the changing global trends in online video and television consumption patterns.

During the SAT Kurier Awards 2016 gala IPLA online television was ranked number 1 in the category "Best service" in a poll for best products and services on the digital television market.

Commercial launch of LTE and LTE-Advanced technologies

On August 23, 2016, we offered our customers services based on the technology of frequency band aggregation, marketed under the name LTE Plus Advanced. The aggregation of two carrier frequencies of 20 MHz each in LTE FDD standard, operating in the 1800 and 2600 MHz bandwidths, allowed us to increase data transmission speed within our internet access services to a maximum of 300 Mbps, and, together with the continued network roll-out, will contribute to increased stability and capacity of our mobile network. This in turn will translate into improved quality of Internet access services for our existing customers and the possibility of comfortable use of the network by a larger number of users. As at the date of publication of this Report, LTE Plus Advanced was available in several dozen locations in Poland, covering mainly the largest metropolitan areas.

Development of the smartDOM program

In September 2016 the comprehensive array of services offered under the smartDOM program, comprising telephony, internet access, television, banking and insurance or electric energy supply, has been expanded to include a new category – household appliances. The appliances are offered in a pilot program via Plus's and Cyfrowy Polsat's sales network and also via www.plus.pl Internet store. Household appliances can be purchased by anyone, however members of smartDOM program can benefit from discounts.

Acquisition of sports rights

In September 2016 Telewizja Polsat acquired rights to the European Qualifiers (qualifying matches of the UEFA zone) to 2020 UEFA European Football Championship and the 2018 FIFA World Cup in Russia, as well as to two seasons of new matches of the UEFA Nations League in the years 2018/2019 and 2020/2021.

What is more, in order to improve the attractiveness of its portfolio of broadcasting rights, Telewizja Polsat will broadcast the UEFA European Under-21 Championship 2017 which will take place in Poland. Telewizja Polsat will be the official broadcaster of the tournament and the producer of the television signal for all countries, who will be broadcasting the championship.

EVOBOX PVR distinguished at the IBC 2016 and SAT KRAK 2016 trade fairs

During the international fair IBC 2016 the state-of-the-art, multimedia software of the EVOBOX PVR set-top box has been awarded twice. The graphyne2 platform, which has been developed by the company ADB and constitutes the software of the EVOBOX PVR set-top box has been awarded in the category "Best interactive TV application or technology" at the CSI Awards and has been awarded an IBC 2016 Best of Show Award as an innovative product.

During the SAT Kurier Awards 2016 gala accompanying the SAT KRAK 2016 trade fair, the EVOBOX PVR set-top box was ranked number 1 in the category "Best dedicated set-top box" in a poll for best products and services on the digital television market.

Digital Filmmakers Zone

Four months after the launch of the Digital Filmmakers Zone, a program addressed to filmmakers and producers, Polsat Group selected four projects, which it will finance in coming months. Thanks to this new productions will be coming to cinemas in 2017 and 2018, including a biopic of actress Anna Przybylska, a fact-based story of the sportsman Jerzy Górski, a funny animation based on a cult comic series and a comedy about the ups and downs of the 30-year old single woman.

The Digital Filmmakers Zone is an integrated digital platform launched by us in May 2016, which facilitates communication with filmmakers, screenwriters and producers. The program was positively received by the film industry, hence the large number of submitted proposals. Through the Digital Filmmakers Zone Polsat Group aims to implement plans intended to increase the involvement of companies into film production, co-production and distribution, in order to extend the Polish offer and make it more attractive, as well as to increase the cinema audience who consciously selects Polish productions.

Acquistion of IT Polpager

On September 30, 2016, through our subsidiary Polkomtel, we acquired 100% of shares in IT Polpager S.A., a company providing services in the scope of IT, development and maintenance of technical and telecommunication infrastructure primarily to companies from Polsat Group. The company has many years of experience, know-how and a qualified team of professionals in the field of radio access networks, core networks, IMS system and optic and radio transmission. The newly acquired company perfectly complements the resources and team at Polkomtel and Midas Group connected with the project of network development.

3.3. Events after the balance date

New dividend policy

On November 8, 2016 the Management Board of the Company adopted a resolution regarding the dividend policy which assumes that dividend payout proposals, along with the Management Board's recommendations, will be presented every year to the General Meeting, subject to the observance of the following principles:

- if the ratio of the Group's net debt to consolidated EBITDA, as calculated for the end of the quarter preceding the quarter of adoption of the dividend payout resolution and while accounting for the impact that the proposed dividend payout will have on net debt, is lower than 3.2x but higher than 2.5x, then the Management Board of the Company will recommend a dividend payout in the range between PLN 200 million and PLN 400 million;
- if the ratio of the Group's net debt to consolidated EBITDA, as calculated for the end of the quarter preceding the quarter of adoption of the dividend payout resolution and while accounting for the impact that the proposed dividend payout will have on net debt, is equal or lower than 2.5x but higher than 1.75x, the Management Board of the Company will recommend a dividend payout in the range from 25% to 50% of the Group's consolidated net profit for the past financial year;
- if the ratio of the Group's net debt to consolidated EBITDA, as calculated for the end of the quarter preceding the quarter of adoption of the dividend payout resolution and while accounting for the impact that the proposed dividend payout will have on net debt, is lower than 1.75x, the Management Board of the Company will recommend a dividend payout in the range from 50% to 100% of the Group's consolidated net profit for the past financial year.

Every time when presenting a proposal of distribution of the profit, along with the recommendation, the Company's Management Board will take into account the Group's net profit, financial standing and liquidity, existing and future liabilities (including potential restrictions related to facility agreements and other financial documents), the assessment of the Group's prospects in specific market and macroeconomic conditions, potential necessity of spending funds for the Group's development, in particular through acquisitions and embarking on new projects, one-off items, as well as valid legal regulations. Moreover, given that a significant portion of the generated capital resources is obtained by the Group from dividends paid by its subsidiaries, the above mentioned policy and the Board's recommendation will, in each case, be dependent on the financial situation of the Company's subsidiaries and the Company itself.

The dividend policy will be subject to regular verification by the Company's Management Board. In particular, the Management Board provides for a modification of the dividend policy following the refinancing of Polsat Group's debt which is expected in 2020.

The new dividend policy will take effect from January 1, 2017, however the source for the dividend payout will be the net profit of the Company for the financial year ended December 31, 2016.

4. Operating and financial review of Polsat Group

4.1. Operating review of the Group

Key performance indicators (KPI) presented below for the third quarter and nine months of 2016 include the operating results of Polsat Group comprising Midas Group, acquired on February 29, 2016. In light of the above, the operating results for the analyzed periods of 2016 are not fully comparable with the operating results for the analyzed periods of 2015. However, the effect of consolidation of the operating results of Midas Group on the overall reported operating results of Polsat Group is immaterial.

When assessing our operating results in the segment of services to individual and business customers, we analyze contract services and prepaid services separately. In the case of contract services we consider the number of unique, active services provided in the contract model (RGUs), the number of customers, churn rate and average revenue per customer (ARPU). When analyzing prepaid services we consider the number of unique, active services provided in the prepaid model (prepaid RGUs) as well as average revenue per prepaid RGU. The number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.

The table below presents our key performance indicators for the analyzed periods.

	for the 3-month period ended September 30			for the 9 month period ended September 30		
	2016	2015	change/%	2016	2015	change/%
Total number of RGUs (contract + prepaid)	16,545,653	16,395,514	0.9%	16,545,653	16,395,514	0.9%
CONTRACT SERVICES						
Total number of RGUs, including:	13,017,749	12,418,707	4.8%	13,017,749	12,418,707	4.8%
Pay TV, including:	4,679,114	4,396,361	6.4%	4,679,114	4,396,361	6.4%
Multiroom	*982,068*	*901,271*	9.0%	*982,068*	*901,271*	*9.0%*
Mobile telephony	6,616,579	6,505,016	1.7%	6,616,579	6,505,016	1.7%
Internet	1,722,056	1,517,330	13.5%	1,722,056	1,517,330	13.5%
Number of customers	5,860,884	5,937,768	(1.3%)	5,860,884	5,937,768	(1.3%)
ARPU per customer [PLN]	88.6	88.1	0.6%	88.0	86.9	1.3%
Churn per customer	8.5%	10.2%	(1.7 pp.)	8.5%	10.2%	(1.7 pp.)
RGU saturation per customer	2.22	2.09	6.2%	2.22	2.09	6.2%
Average number of RGUs, including:	12,940,680	12,378,586	4.5%	12,808,659	12,382,171	3.4%
Pay TV, including:	4,654,591	4,376,405	6.4%	4,594,236	4,392,648	4.6%
Multiroom	*977,142*	*893,001*	9.4%	*963,235*	*878,374*	9.7%
Mobile telephony	6,579,908	6,508,391	1.1%	6,549,999	6,537,074	0.2%
Internet	1,706,181	1,493,790	14.2%	1,664,424	1,452,449	14.6%
Average number of customers	5,858,477	5,960,463	(1.7%)	5,879,154	6,032,450	(2.5%)

	for the 3-month period ended September 30			for the 9 month period ended September 30		
	2016	2015	change/%	2016	2015	change/%
PREPAID SERVICES						
Total number of RGUs, including:	3,527,904	3,976,807	(11.3%)	3,527,904	3,976,807	(11.3%)
Pay TV	44,913	60,471	(25.7%)	44,913	60,471	(25.7%)
Mobile telephony	3,223,224	3,685,092	(12.5%)	3,223,224	3,685,092	(12.5%)
Internet	259,767	231,244	12.3%	259,767	231,244	12.3%
ARPU per total prepaid RGU [PLN]	18.7	19.0	(1.6%)	18.4	18.2	1.1%
Average number of RGUs, including:	3,713,417	3,970,091	(6.5%)	3,769,967	4,014,949	(6.1%)
Pay TV	42,971	41,313	4.0%	43,780	56,817	(22.9%)
Mobile telephony	3,386,794	3,713,656	(8.8%)	3,463,246	3,755,403	(7.8%)
Internet	283,652	215,122	31.9%	262,941	202,729	29.7%
TELEVISION						
Audience share	24.6%	25.2%	(2.5%)	24.8%	24.6%	0.8%
Advertising market share	27.4%	27.2%	0.7%	26.8%	25.8%	3.9%

4.1.1. Segment of services to individual and business customers

As at September 30, 2016, in the segment of services to individual and business customers, our Group provided a total of 16,545,653 active services, which constitutes an increase of o 150,139 compared to 16,395,514 active services provided as at September 30, 2015. In the third quarter of 2016 we noted a dynamic YoY growth in the number of broadband Internet access and of pay TV and mobile telephony services provided both in the contract model. This growth was partially offset by a decline in the number of provided prepaid mobile telephony services in the analyzed period.

As at September 30, 2016 the share of contract services in the total number of active services provided was 78.7%. This ratio increased from 75.7% as at September 30, 2015.

Contract services

As at September 30, 2016, we provided contract services to a total of 5,860,884 customers, i.e., 1.3% less compared to 5,937,768 customers as at September 30, 2015. The decline of the customer base clearly decelerated in the third quarter of 2016, *inter alia,* due to the intensified migration of prepaid services users to contract tariffs as an effect of our actions aimed at encouraging customers to switch to postpaid tariffs while registering their prepaid SIM cards. We continue to observe the trend of merging of contracts under one, common contract for the household and the outflow of customers with only one service. In line with the our strategic assumptions, the Group avoids conducting an aggressive sales policy for individual products and concentrates 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 active contract services provided by us increased by 599,042, that is, by 4.8%, to 13,017,749 as at September 30, 2016, from 12,418,707 as at September 30, 2015. We recorded growth in the number of all services provided in the contract model. We noted the highest growth dynamics with respect to the number of contract services provided in the area of broadband Internet access due, among other things, to the broad coverage offered by our network, as well as its top quality proven by a survey by UKE published in January 2016. As at September 30, 2016, we provided 1,722,056 mobile Internet RGUs in the contract model, that is 204,726, or 13.5%, more than as at September 30, 2015 (1,517,330). The number of pay TV services provided in the contract model amounted to 4,679,114 as at September 30, 2016, which constitutes an increase by 282,753, or 6.4%, compared to 4,396,361 as at September 30, 2015. This increase in due, among other things, to the growing popularity of our Multiroom service (increase by almost 81 thousand provided services year on year), as well as to increasing sales of OTT paid services. The number of provided mobile telephony services in the contract model increased by 111,563, or 1.7%, reaching the level of 6,616,579 as at September 30, 2016, up from 6,505,016 as at September 30, 2015. This growth was driven by the successful implementation of our strategy of cross-selling, as well as by the intensified migration of users of prepaid services to contract tariffs. 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., the sale of additional products and services to the joined customer bases of Cyfrowy Polsat and Polkomtel, among others within the framework of our program smartDOM, which has a positive impact on ARPU per contract customer. As a result of the implementation of our multiplay strategy, we continue to record a successive increase of ARPU in the contract services segment. In the first three quarters of 2016 ARPU increased by 1.3% to PLN 88.0 from PLN 86.9 in the corresponding period of 2015. ARPU per customer increased by 0.6% to PLN 88.6 in the third quarter of 2016 from PLN 88.1 in the corresponding period of 2015. Factors contributing to a lower growth dynamics of APRU per contract customer in the third quarter of 2016 include the intensified migration of users of prepaid services, characterized by a relatively low ARPU, to contract tariffs, as well as the regulation of roaming tariffs and gradual reduction of the scale of sales of telecommunication contracts comprising subsidized equipment

Our churn rate decreased by 1.7 pp. to 8.5% in the twelve-month period ended September 30, 2016, compared to 10.2% in the twelve-month period ended September 30, 2015. This is primarily the effect of the systematically growing loyalization of our customers connected with the successful implementation of our multiplay strategy, as well as the continued price stabilization on the highly competitive telco market.

The saturation of our customer base with additional services offered in bundles is systematically growing. As at September 30, 2016, each customer in our customer base had on average 2.22 active contract services which constitutes an increase of 6.2% compared to 2.09 active contract services per customer as at September 30, 2015. The increase in RGU saturation per customer is the result of our marketing and sales activities aimed at maximizing the sale of products and services to a single customer.

Our bundled services offer, the smartDOM program in particular, is still 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. At the end of September 2016, already 1,233,768 customers were part of the program, which constitutes an increase of 334.200, or 37.2%, YoY. This group of customers had a total of 3,645,993 RGUs. RGU saturation per customer in this group was close to 3x as at September 30, 2016. Bearing in mind the long-term goal of our Group, which is to maximize revenue per contract customer through cross-selling, the smartDOM program is perfectly in line with the implementation of our strategy.

Prepaid services

The number of prepaid services provided by us as at September 30, 2016, decreased by 448,903, that is, 11.3%, to 3,527,904 from 3,976,807 as at September 30, 2015. The erosion of the prepaid RGUs base is 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 in the third quarter of 2016 on the entire market. The decrease pf our prepaid RGUs base is further deepened by the encouraged by us and intensified migration of our prepaid tariff users towards the contract services segment, which is driven by relatively more attractive terms of post-paid tariffs, as well as discounts offered in the smartDOM program.

ARPU per prepaid RGU decreased by 1.6% in the third quarter of 2016 to PLN 18.7 from PLN 19.0 in the corresponding period of 2015. In the first three quarters of 2016 ARPU per prepaid RGU increased by 1.1% to PLN 18.4 from PLN 18.2 in the corresponding period of 2015. In the third quarter of 2016 ARPU growth in the prepaid segment recorded in the first half of 2016 remained under pressure from short-term promotions aimed at encouraging our users to register their prepaid cards early.

4.1.2. Braodcasting and television production segment

We consider audience share by channel, advertising market share and technical reach when analyzing and evaluating our broadcasting and television production activities. The following tables set forth these key performance indicators for the relevant periods.

Audience shares

	3 months ended September 30		change [%]	9 months ended September 30		change [%]
	2016	2015		2016	2015	
Audience share[(1) (2)], including:	24.60%	25.24%	(2.54%)	24.79%	24.59%	0.81%
POLSAT (main channel)	12.95%	12.80%	1.17%	13.13%	13.22%	(0.68%)
Thematic channels[(2)]	11.65%	12.44%	(6.35%)	11.66%	11.37%	2.55%
TV4	3.30%	3.90%	*(15.38%)*	3.54%	3.58%	*(1.12%)*
TV6	1.73%	1.56%	*10.90%*	1.77%	1.47%	*20.41%*
Polsat 2	1.63%	1.56%	*4.49%*	1.46%	1.46%	*0.00%*
Polsat News	0.94%	0.91%	*3.30%*	0.81%	0.83%	*(2.41%)*
Polsat Film	0.77%	0.80%	*(3.75%)*	0.79%	0.75%	*5.33%*
Polsat Play	0.68%	0.64%	*6.25%*	0.68%	0.67%	*1.49%*
Polsat Cafe	0.46%	0.42%	*9.52%*	0.39%	0.41%	*(4.88%)*
Polsat Sport	0.37%	0.75%	*(50.67%)*	0.50%	0.55%	*(9.09%)*
Disco Polo Music	0.33%	0.27%	*22.22%*	0.27%	0.27%	*0.00%*
Polsat Sport News	0.29%	0.60%	*(51.67%)*	0.37%	0.46%	*(19.57%)*
Polsat JimJam	0.22%	0.12%	*83.33%*	0.23%	0.14%	*64.29%*
Polsat Romans	0.17%	0.15%	*13.33%*	0.16%	0.14%	*14.29%*
CI Polsat	0.17%	0.14%	*21.43%*	0.14%	0.12%	*16.67%*
Polsat Viasat History	0.16%	0.12%	*33.33%*	0.13%	0.11%	*18.18%*
Polsat Viasat Explore	0.13%	0.07%	*85.71%*	0.10%	0.06%	*66.67%*
Polsat Food Network	0.10%	0.12%	*(16.67%)*	0.10%	0.09%	*11.11%*
Polsat News 2	0.08%	0.09%	*(11.11%)*	0.08%	0.09%	*(11.11%)*
Polsat Sport Extra	0.07%	0.16%	*(56.25%)*	0.09%	0.12%	*(25.00%)*
Polsat Viasat Nature	0.03%	0.03%	*0.00%*	0.03%	0.03%	*0.00%*
Muzo.tv	0.03%	0.02%	*50.00%*	0.02%	0.02%	*0.00%*
Polsat 1[(3)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Fight[(4)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Advertising market share[(5)]	27.4%	27.2%	*0,7%*	26.8%	25.8%	*3.9%*

1) Nielsen Audience Measurement, All day ages 16-49 audience share.
2) When calculating the total audience share of Polsat Group and audience share of thematic channels, we take into account the moment of including the channel into our portfolio.
3) Channel broadcast since December 18, 2015, not included in the telemetric panel.
4) Channel broadcast since August 1, 2016, not included in the telemetric panel.
5) Our estimates based on SMG Poland (previously SMG Starlink) data.

Comparing three quarters of 2016 with the corresponding period of 2015, we recorded increasing audience shares of our entire Group, as well as of our thematic channels. The main growth driver were growing audience shares of TV6, which was the result of an attractive programming offer combined with the channel's availability in the DTT system. High growth dynamics was also maintained by the thematic channels Polsat Jim Jam, Polsat Film and Polsat Viasat Explore (due to an increase in technical reach).

In the third quarter of 2016 we recorded a decline in the total audience share of our thematic channels caused primarily by the decline in the viewership of sports channels. The decreases of audience shares of our sports channels are mainly the effect of the Summer Olympic Games 2016 being broadcast on the channels of TVP group.

Both in the third quarter and the three quarters of 2016 viewers in the commercial group (everyone aged 16-49) were attracted by the fixed slots on our main channel's schedule. Monday's film slot Mega Hit had an audience share of 17.9% in the third quarter and 18.3% in the three quarters of 2016, while the premier episodes of the TV series *First Love* gained an audience share of 19.7% in the third quarter and 20.2% in the three quarters of 2016. The series *Świat według Kiepskich,* aired from Monday to Saturday at 7:30 p.m. had an audience share of 14.2% in the third quarter and 14.7% in the three quarters of 2016.

The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*News*), gained an audience share of 17.1% in the third quarter and 18.7% in the three quarters of 2016. The morning block of news and information programs, *Nowy Dzień z Polsat News* (*New day with Polsat News*), broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 18.0% in the third quarter of 2016 and 17.4% in the three quarters of 2016.

The qualifying match to the 2018 FIFA World Cup between Kazakhstan and Poland, played on September 4, 2016, was an important event in the third quarter of 2016, gaining a total SHR of 48.3% on Polsat and Polsat Sport channels. The final match of the UEFA EURO 2016, Portugal – France, aired on July 10, 2016 on Polsat and Polsat Sport, had a total audience share of 38.1%.

The festival *Disco Hit Festiwal Kobylnica 2016*, aired on July 8 on Polsat, attracted a significant audience, giving the channel a share of 25.1%. The cabaret gala, *Świętokrzyska Gala Kabaretowa*, broadcast on August 27, yielded an audience share of 22.5%. When analyzing the third quarter of 2016, an event worth mentioning is the concert *Disco Pod Gwiazdami* that took place on August 12-13, and both parts of which gained a total audience share of 18.6%.

The results of the third quarter and the three quarters of 2016 were significantly influenced by programs from seasonal scheduling. A large audience was gathered by the show *Your Face Sounds Familiar.* The Saturday slots dedicated to this show had an audience share of 19.7% in the third quarter and 18.7% in the three quarters of 2016. Another position, the show *Our New House*, gathered on average 16.1% of viewers in the third quarter and 16.9% in the three quarters of 2016. The reality show *Hell's Kitchen* had an audience share of 11.9% in the third quarter and 13.8% the three quarters of 2016. The show *Top Chef. Gwiazdy od Kuchni,* the continuation of the show *Top Chef*, gained an audience share of 11.1% in the third quarter. In the three quarters of 2016 both formats gained an audience share of 12.7%. *Dancing with the Stars* attracted 14.0% of viewers in the third quarter and 13.6% in the three quarters of 2016.

Other record high results of sports events broadcast in the three quarters of 2016 are worth notice. The most widely viewed match of the Polish team during the UEFA EURO 2016 competition was the meeting with Portugal of June 30, 2016, with total SHR on Polsat and Polsat Sport of 47.1%. Another EURO 2016 meeting worth mentioning was the match between Poland and Switzerland of June 25, which gained a total audience share of 43.1%. The total audience share of the match Poland-Ukraine of June 21 on both Polsat and Polsat Sport was 42.0%. It must be emphasized that the mentioned matches were aired simultaneously on the channel TVP1 in accordance with the sublicense granted by Polsat.

The broadcasts of matches played in the European Men's Handball Championships gathered a significant audience. The most widely viewed meeting between Poland and Croatia, which took place on January 27, 2016, gained a total audience share of 42.7% on both Polsat and Polsat Sport News. The simultaneous broadcast on both these channels of the match played by Poland against Norway on January 23, 2016 gained a total audience share of 40.5%, while the viewership of the match against France (January 19, 2016) reached the level of 38.5% SHR.

The festival *Polsat Superhit Festiwal 2016 – Sopocki Hit Kabaretowy* gained a very high audience share in the analyzed period. The broadcast of May 29, 2016 attracted 29.3% of viewers to their TV sets. The cabaret *Płocka Noc Kabaretowa,* aired on June 4, 2016 on the main channel, had an audience share of 22.8%. The concert of the band Ich Troje, aired on Polsat channel in June 24, 2016 and entitled *A wszystko to…,* gave the channel a 20.2% share in the audience.

Distribution and technical reach

Technical reach[1]	3 months ended September 30		*Change / %*	9 months ended September 30		*Change / %*
	2016	2015		2016	2015	
Polsat	99.9%	99.9%	*0.0%*	99.9%	99.9%	*0.0%*
TV4	99.8%	99.9%	*(0.1%)*	99.9%	99.8%	*0.1%*
Polsat Sport News	95.0%	94.2%	*0.8%*	94.6%	93.9%	*0.7%*
TV6	95.0%	93.4%	*1.7%*	94.5%	93.3%	*1.3%*
Polsat 2	63.4%	61.9%	*2.4%*	63.1%	61.8%	*2.1%*
Polsat News 2	56.4%	53.8%	*4.8%*	55.8%	53.9%	*3.5%*
Polsat News	55.7%	55.5%	*0.4%*	55.8%	55.5%	*0.5%*
Polsat Cafe	55.0%	54.1%	*1.7%*	55.0%	54.0%	*1.9%*
Polsat Film	51.5%	48.9%	*5.3%*	51.2%	49.6%	*3.2%*
Polsat Play	49.0%	46.9%	*4.5%*	48.7%	46.9%	*3.8%*
Polsat Viasat History	48.2%	33.5%	*43.9%*	41.9%	33.6%	*24.7%*
Polsat Sport	48.0%	48.2%	*(0.4%)*	48.4%	48.1%	*0.6%*
Disco Polo Music	46.2%	44.8%	*3.1%*	46.0%	44.6%	*3.1%*
Polsat Romans	45.1%	45.7%	*(1.3%)*	45.8%	44.6%	*2.7%*
Polsat JimJam	44.6%	43.3%	*3.0%*	44.3%	43.2%	*2.5%*
Polsat Viasat Explore	43.3%	27.7%	*56.3%*	37.2%	26.9%	*38.3%*
Polsat Viasat Nature	41.8%	26.3%	*58.9%*	34.5%	26.0%	*32.7%*
Muzo.tv	41.2%	38.4%	*7.3%*	40.5%	38.4%	*5.5%*
CI Polsat	39.6%	38.0%	*4.2%*	39.1%	37.7%	*3.7%*
Polsat Sport Extra	35.4%	35.1%	*0.9%*	35.8%	34.9%	*2.6%*
Polsat Food Network	25.6%	24.2%	*5.8%*	25.2%	21.5%	*17.2%*
Polsat 1[2]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Polsat Sport Fight[3]	n/a	n/a	*n/a*	n/a	n/a	*n/a*

1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach.
2) Channel broadcast outside of Poland, not included in the telemetric survey.
3) Channel broadcast since August 1, 2016, not included in the telemetric panel.

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. The systematically increasing availability of our channels is clearly visible. Comparing data for both the third quarter and nine months of 2016 with corresponding periods of 2015, the highest growth dynamics in technical reach were recorded by Polsat Viasat Nature, Polsat Viasat Explore, Polsat Viasat History, and Polsat Food Network. Another group of channels, regarding which we observe effects of systematic technical reach improvement, comprises the most recently launched channels (Disco Polo Music, MUZO.TV).

Advertising and sponsoring market share

According to SMG Poland (previously SMG Starlink) media house estimates, expenditures on TV advertising and sponsoring in the third quarter of 2016 amounted to about PLN 0.8 billion and increased year-on-year by 0.1%. Based on these data, we estimate that in the third quarter of 2016 our TV advertising market share increased year-on-year to 27.4% from 27.2%. In the first nine months of 2016, expenditures on TV advertising and sponsoring amounted to PLN 2.8 billion, which constitutes an increase of 1.0% year-on-year. Our TV ad market share increased to 26.8% in the three quarters of 2016 from 25.8% in the corresponding period of 2015.

If we compare the current portfolio of Polsat Group's channels, we generated 0.8% more GRPs in the nine-month period ended September 30, 2016 compared to the corresponding period of 2015.

4.2. Key positions in the consolidated income statement

Revenue

Revenue is derived from retail revenue, wholesale revenue, sale of equipment and other revenue sources.

Retail revenue

Retail revenue consists primarily of:

(i) monthly subscription fees paid by our pay digital television contract customers for programming packages;

(ii) subscription fees paid by our contract customers for telecommunication services;

(iii) fees for telecommunication services provided to our contract customers, which are not included in the subscription fee;

(iv) payments for telecommunication services paid by our prepaid and mix customers;

(v) fees for the lease of set-top boxes;

(vi) activation fees;

(vii) penalties; and

(viii) fees for additional services.

The total revenue from pay digital television and telecommunication subscription fees depends on the number of customers and the number of services provided to them, as well as on the amount of monthly subscription fees paid for our programming and telecommunication packages and the amount of additional services provided to our customers in the given period. Activation fees are collected at the moment of activation and amortized over the life of the contract.

Wholesale revenue

Our wholesale revenue comprises:

(i) advertising and sponsorship revenue;

(ii) revenue from cable and satellite operator fees;

(iii) revenue from the lease of infrastructure;

(iv) interconnect revenue;

(v) revenue from roaming;

(vi) revenue from the sale of broadcasting and signal transmission services; and

(vii) revenue from the sale of licenses, sublicenses and property rights.

Sale of equipment

Sale of equipment consists mostly of revenue from sales of set-top boxes, STB hard disk drives, antennas, Internet modems, tablets, laptops, routers, mobile handsets, smartphones, accessories and other equipment.

Other revenue

Other revenue sources consist primarily of revenue from the lease of premises and facilities, revenue from interest on installment plan purchase and other sales revenue.

Operating costs

Operating costs consist of:

(i) content costs;

(ii) distribution, marketing, customer relation management and retention costs;

(iii) depreciation, amortization, impairment and liquidation;

(iv) technical costs and cost of settlements with mobile network operators;

(v) salaries and employee-related costs;

(vi) cost of equipment sold;

(vii) cost of debt collection services and bad debt allowance and receivables written off; and

(viii) other costs.

Content costs

Content costs consist of:

(i) programming license costs;

(ii) amortization of purchased film licenses;

(iii) costs of internal and external production and amortization of sport rights; and

(iv) other content costs.

Programming license costs include monthly license fees due to television broadcasters and distributors, license fees for materials broadcast on VOD and royalties due to collective copyright management organizations and the Polish Film Institute.

Amortization of purchased film licenses includes amortization of rights to TV programming content produced by third parties and licensed to us. Amortization is based on the estimated number of showings and the type of programming content.

Costs of internal and external production and amortization of sport rights include production costs for TV programs specifically produced by or for us, either under licenses from third parties or under our own licenses. These costs also include amortization of sport broadcasting rights. Amortization of TV production is based on the estimated number of showings and type of programming content. Amortization is based on the estimated number of showings and the type of programming content. Amortization of sport broadcasting rights is recognized in 100% on the first broadcast or on a straight-line basis over the seasons or competitions.

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of:

(i) commissions due to our distributors and retail points of sale when they conclude sale or retention agreements with our customers for pay television and telecommunication services;

(ii) costs of courier services, distribution of reception equipment, storage costs and costs associated with services of our regional agents;

(iii) costs of warranty service; and

(iv) costs of maintenance of points of sales.

Marketing expenses consist of expenses on TV and radio commercials, press, online and outdoor advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. Customer relation management and retention costs consist of mailing costs, call center costs and other customer relation management costs.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs primarily consist of:

(i) depreciation of network systems components and telecommunication network equipment (access and core network equipment, network management systems and software);

(ii) amortization of costs of telecommunications concessions acquired by Polkomtel, Aero2 and Sferia;

(iii) depreciation of set-top boxes leased to our customers;

(iv) depreciation of plant and equipment, TV and broadcasting equipment;

(v) amortization of intangible assets, including customer relationships, trademarks and IT programs;

(vi) non-current assets impairment allowance; and

(vii) net value of disposed property, plant and equipment as well as intangible assets, no longer suitable for use.

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators comprise:

(i) telecommunications and IT infrastructure lease costs;

(ii) electric energy costs connected with the functioning of our telecommunications network;

(iii) telecommunication network maintenance costs and fees;

(iv) IT systems maintenance costs;

(v) payments for the lease of satellite transponder capacity;

(vi) payments for the use of conditional access system based on the number of access cards;

(vii) TV broadcasting costs (digital terrestrial transmission and DVB-T);

(viii) Interconnection and roaming charges ; and

(ix) other costs.

Salaries and employee-related costs

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts (excluding salaries and social security contributions of factory employees, which are included in the costs of manufacturing of reception equipment, salaries and social security contributions relating to employees directly involved in the production of TV programs, which are presented as part of the costs of internal TV production and salaries and social security contributions relating to employees directly involved in the production of IT software, which are capitalized on intangible assets) or project-specific contracts, managerial contracts, casual work contracts, remuneration of our Supervisory Board members, social security costs and other employee benefits.

Cost of equipment sold

Cost of equipment sold relates mostly to mobile handsets, smartphones, set-top boxes, STB hard disk drives, antennas, Internet modems, routers, tablets, laptops, and accessories that we sell to our customers.

Cost of debt collection services and bad debt allowance and receivables written off

In this group of costs we present:

(i) bad debt recovery fees;

(ii) bad debt allowance and the cost of receivables written off; and

(iii) gains and losses from the sales of liabilities.

Other costs

Key items of other costs include:

(i) the cost of SMART and SIM cards provided to customers;

(ii) the cost of licenses and other current assets sold;

(iii) legal, advisory and consulting costs;

(iv) property maintenance costs;

(v) taxes and other charges;

(vi) trademark license costs;

(vii) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production and

(viii) other costs.

Other operating income/costs, net

Other operating income/costs consist of:

(i) inventory impairment write-downs/reversals; and

(ii) other operating revenue/costs, not derived in the ordinary course of business.

Gains and losses on investment activities, net

Gains and losses on investment activities include interest income on funds invested, interest expenses (other than interest expenses on borrowings), dividends income, results on the disposal of available-for-sale financial instruments, fair value gains/losses on financial instruments (other than interest rate derivatives) at fair value through profit or loss, net foreign currency gains/losses, and results on forward exchange contracts and call options, impairment losses recognized on financial assets, unwinding of the discount on provisions.

Finance costs

Finance costs comprise interest on borrowings (including bank loans and bonds), foreign exchange gains/losses on bonds, realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, bank and other charges on borrowings and guarantee fees resulting from indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

4.3. Review of the Group's financial situation

The following review of results for the nine-month period ended September 30, 2016 was prepared based on the interim condensed consolidated financial statements for the nine-month period ended September 30, 2016, prepared in accordance with International Accounting Standard 34 and internal analysis.

Given that we acquired shares in Radio PIN S.A. on February 27, 2015, in Orsen Holding Ltd. on April 1, 2015, that on February 29, 2016 we indirectly acquired shares in Midas Group, and the acquisition of shares in IT Polpager S.A. on September 30, 2016 our results for the three and nine-month periods ended September 30, 2016 are not fully comparable with the results for the corresponding periods of 2015. Concurrently, we emphasize that we also do not eliminate the effect of consolidation of Midas Group on the results of Polsat Group, however the positions influenced by the consolidation of Midas Group are indicated.

Given that the results of Radio PIN S.A., Orsen Holdings Ltd. capital group and IT Polpager S.A. do not have a material impact on the results of the Group, they will not be subject to elimination in the analysis of the Group's financial situation.

4.3.1. Income statement analysis

4.3.1.1. Review of financial results for the third quarter of 2016 and 2015

Revenue

Our total revenue decreased by PLN 27.1 million, or 1.1%, to PLN 2,387.8 million in the third quarter of 2016 versus PLN 2,414.9 million in the third quarter of 2015. Factors influencing the level of revenue are described below.

mPLN	for the 3 months ended September 30		change	
	2016	2015	[mPLN]	[%]
Retail revenue	1,583.7	1,643.3	(59.6)	(3.6%)
Wholesale revenue	562.9	616.9	(54.0)	(8.8%)
Sale of equipment	221.3	131.2	90.1	68.7%
Other revenue	19.9	23.5	(3.6)	(15.3%)
Revenue	2,387.8	2,414.9	(27.1)	(1.1%)

Retail revenue

Retail revenue decreased by PLN 59.6 million, or 3.6%, to PLN 1,583.7 million in the third quarter of 2016 from PLN 1,643.3 million in the third quarter of 2015.This decrease was primarily due to lower revenue from voice services caused by a highly competitive market and was partially compensated by higher revenue from pay TV and growing revenue from mobile Internet access services and data transmission.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Wholesale revenue

Wholesale revenue decreased by PLN 54.0 million, or 8.8%, to PLN 562.9 million in the third quarter of 2016 from PLN 616.9 million in the third quarter of 2015. In the third quarter of 2015 this item comprised revenue from the lease of telecommunication infrastructure to Midas Group, which is subject to elimination during consolidation in the third quarter of 2016 as a result of the acquisition of Midas Group on February 29, 2016. The decrease of wholesale revenue was partially compensated by higher revenue from interconnection services, higher revenue from the sale of sublicenses to selected meetings of the UEFA EURO 2016 to TVP S.A. and higher revenue from satellite and cable operators related to the wholesale sale of packages of channels dedicated to the EURO 2016.

Sale of equipment

Revenue from the sale of equipment increased by PLN 90.1 million, or 68.7%, to PLN 221.3 million in the third quarter of 2016 from PLN 131.2 million in the third quarter of 2015, which was due primarily to the increasing share of installment plan sales.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Other revenue

Other revenue decreased by PLN 3.6 million, or 15.3%, to PLN 19.9 million in the third quarter of 2016 from PLN 23.5 million in the third quarter of 2015. The decrease was mainly the result of the consolidation of Midas Group from February 29, 2016 and was partially compensated by growing revenue from interest on installment plan sales of equipment to residential customers.

Operating costs

Our total operating costs increased by PLN 38.6 million, or 2.0%, to PLN 1,938.7 million from PLN 1,900.1 million for the third quarter of 2015. Operating costs increased for the reasons set forth below.

mPLN	for the 3 months ended September 30		change	
	2016	2015	[mPLN]	[%]
Content costs	252.1	257.3	(5.2)	(2.0%)
Distribution, marketing, customer relation management and retention costs	202.6	200.1	2.5	1.2%
Depreciation, amortization, impairment and liquidation	507.9	401.2	106.7	26.6%
Technical costs and cost of settlements with mobile network operators	459.2	551.2	(92.0)	(16.7%)
Salaries and employee-related costs	130.5	122.3	8.2	6.7%
Cost of equipment sold	330.5	314.9	15.6	5.0%
Cost of debt collection services and bad debt allowance and receivables written off	5.7	8.5	(2.8)	(32.9%)
Other costs	50.2	44.6	5.6	12.6%
Operating costs	1,938.7	1,900.1	38.6	2.0%

Content costs

Content costs decreased by PLN 5.2 million, or 2.0%, to PLN 252.1 million in the third quarter of 2016 from PLN 257.3 million in the third quarter of 2015. This decrease is due primarily to lower costs of sports licenses as a result of the recognition in the comparative period of licenses to the 2015 Men's and Women's European Volleyball Championship and the 2015 Men's and Women's Volleyball World Cup, and was partially off-set by higher costs of internal production on our main channel.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 2.5 million, or 1.2%, to PLN 202.6 million in the third quarter of 2016 from PLN 200.1 million in the third quarter of 2015, which was due, among other things, to the recognition of higher costs of sales commissions (accounting effect).

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 106.7 million, or 26.6%, to PLN 507.9 million in the third quarter of 2016 from PLN 401.2 million in the third quarter of 2015, primarily as the result of the consolidation of depreciation costs of Midas Group, including the additional depreciation of telecommunications licenses resulting from the valuation of those licenses during the preliminary purchase price allocation process related to the acquisition of Midas Group.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators decreased by PLN 92.0 million, or 16.7%, to PLN 459.2 million in the third quarter 2016 from PLN 551.2 million in the third quarter 2015. This is primarily the effect of the elimination during consolidation of growing costs of data traffic within our broadband Internet access service in connection with the acquisition of Midas Group on February 29, 2016. In the comparative period the aforementioned costs of traffic were payable to Midas Group.

Concurrently, we noted an increase of interconnection costs within this cost category, due to the growing popularity of tariffs enabling unlimited connections with other telecommunication networks.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 8.2 million, or 6.7%, to PLN 130.5 million in the third quarter of 2016 from PLN 122.3 million in the third quarter of 2015, as a result of a modification of the schedule of creating provisions for allowances for the employees of the Group, from a semi-annual to a quarterly cycle, as well as the recognition of salaries and employee-related costs of Midas Group following its consolidation from February 29, 2016.

Cost of equipment sold

Cost of equipment sold increased by PLN 15.6 million, or 5.0%, to PLN 330.5 million in the third quarter of 2016 from PLN 314.9 million in the third quarter of 2015. This was the effect of a higher unit cost of sold equipment, while the total volume of sales declined. The increase in the unit cost was due, among others, to the growing share of contracts comprising the sale of more expensive equipment in the installment sales model and a decreasing number of cheaper, subsidized devices sold.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Cost of debt collection services and bad debt allowance and receivables written off

The cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 2.8 million, or 32.9%, to PLN 5.7 million in the third quarter of 2016 from PLN 8.5 million in the third quarter of 2015, primarily due to a change in the method of calculating write-offs on receivables in the installment plan sales model.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Other costs

Other costs increased by PLN 5.6 million, or 12.6%, to PLN 50.2 million in the third quarter of 2016 from PLN 44.6 million in the third quarter of 2015.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Other operating income and costs, net

In the third quarter of 2016 other operating income, net decreased by PLN 14.4 million, or 100.0%.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Gains/(losses) on investment activities, net

Net gains on investment activities increased by PLN 18.3 million and amounted to PLN 13.1 million in the third quarter of 2016 compared to net losses on investment activities in the amount of PLN 5.2 million in the third quarter of 2015, primarily due to the recognition of foreign exchange gains related to the valuation of liabilities related to the UMTS license in the third quarter of 2016 compared to the losses recognized in the comparative period, which is associated with the appreciation of the PLN versus the EUR in the third quarter of 2016, while in the comparative period the exchange rate depreciated.

Finance costs

In the third quarter of 2016 the Group recognized finance costs in the amount of PLN 127.3 million, which constitutes a change of PLN 216.1 million, compared to a profit (negative finance costs) at the level of PLN 88.8 million in the third quarter of 2015.This change was mainly due to the base effect - one-off, non-cash operations related to the refinancing of the Group's hitherto debt were recognized in finance costs in the third quarter of 2015 thus leading to the recognition of a profit. This effect was partially compensated by lower costs of debt service relating to our term facilities, which resulted from refinancing the debt at more favorable terms, as well as of the lack of interest costs and valuation costs related to the PLK Senior Notes in connection with their early redemption on February 1, 2016.

As a result of the acquisition of Litenite capital group, as of February 29, 2016 this position also comprises costs of interest on notes issued by Litenite group for the period of consolidation.

Net profit

As a consequence of the changes described above, net profit decreased by PLN 232.7 million, or 46.3%, to PLN 269.8 million in the third quarter of 2016 from PLN 502.5 million in the third quarter of 2015.

EBITDA & EBITDA margin

EBITDA increased by PLN 26.6 million, or 2.9%, to PLN 957.0 million in the third quarter of 2016 from PLN 930.4 million in the third quarter of 2015. EBITDA margin increased to 40.1 % in the third quarter of 2016 from 38.5% in the third quarter of 2015.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 5,009 full-time equivalents in the third quarter of 2016 and remained at a practically unchanged level compared to 5,014 full-time equivalents in the corresponding period of 2015.

4.3.1.2. Comparison of financial results for the three quarters of 2016 and 2015

Revenue

Our total revenue decreased by PLN 18.4 million, or 0.3%, to PLN 7,194.7 million in the nine-month period ended September 30, 2016 from PLN 7,213.1 million in the nine-month period ended September 30, 2015.

[mPLN]	for the 9 months ended September 30 (1)		change	
	2016	2015	mPLN	%
Retail revenue	4,736.3	4,932.5	(196.2)	(4.0%)
Wholesale revenue	1,807.7	1,858.9	(51.2)	(2.8%)
Sale of equipment	585.2	356.5	228.7	64.2%
Other revenue	65.5	65.2	0.3	0.5%
Revenue	7,194.7	7,213.1	(18.4)	(0.3%)

(1) Results of Midas Group consolidated since February 29, 2016.

Retail revenue

Retail revenue decreased by PLN 196.2 million, or 4.0%, to PLN 4,736.3 million in the nine-month period ended September 30, 2016 from PLN 4,932.5 million in the nine-month period ended September 30, 2015. This decrease was primarily due to lower revenue from voice services caused by a highly competitive market and was partially compensated by higher revenue from pay TV services, in particular due to the retail sale of packages dedicated to the UEFA EURO 2016, as well as growing revenue from the mobile Internet access service and data transmission.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Wholesale revenue

Wholesale revenue decreased by PLN 51.2 million, or 2.8%, to PLN 1,807.7 million in the nine-month period ended September 30, 2016 from PLN 1,858.9 million in the nine-month period ended September 30, 2015. This decrease was caused by lower revenue from the lease of telecommunication infrastructure to Midas Group, which was recognized only in January and February of 2016 due to the acquisition of Midas Group on February 29, 2016, as well as lower revenue from roaming. This decrease was partially compensated by higher revenue from interconnection services and higher advertising and sponsoring, as well as revenue from the sale of sublicenses to selected meetings of the UEFA EURO 2016 to TVP S.A. and higher revenue from satellite and cable operators related to the wholesale sales of packages of channels dedicated to the EURO 2016.

Sale of equipment

Revenue from the sale of equipment increased by PLN 228.7 million, or 64.2%, to PLN 585.2 million in the nine-month period ended September 30, 2016 from PLN 356.5 million in the nine-month period ended September 30, 2015. This increase was due primarily to higher revenue from installment plan sales and from sales of contracts for telecommunication services with a subsidized device (due to higher unit prices of the equipment sold), as well as the optimization of inventory management.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Other revenue

Other revenue remained at a practically unchanged level and amounted to PLN 65.5 million in the nine-month period ended September 30, 2016 from PLN 65.2 million in the nine-month period ended September 30, 2015.

Operating costs

Our total operating costs increased by PLN 220.1 million, or 3.9%, to PLN 5,928.7 million in the nine-month period ended September 30, 2016 from PLN 5,708.6 million in the nine-month period ended September 30, 2015.

[mPLN]	for the 9 months ended September 30 (1)		change	
	2016	2015	mPLN	%
Content costs	816.9	766.8	50.1	6.5%
Distribution, marketing, customer relation management and retention costs	605.3	582.5	22.8	3.9%
Depreciation, amortization, impairment and liquidation	1,459.1	1,262.6	196.5	15.6%
Technical costs and cost of settlements with telecommunication operators	1,466.1	1,555.9	(89.8)	(5.8%)
Salaries and employee-related costs	406.6	392.2	14.4	3.7%
Cost of equipment sold	974.6	939.2	35.4	3.8%
Cost of debt collection services and bad debt allowance and receivables written off	31.6	55.0	(23.4)	(42.5%)
Other costs	168.5	154.4	14.1	9.1%
Operating costs	5,928.7	5,708.6	220.1	3.9%

(1) Results of Midas Group consolidated since February 29, 2016.

Content costs

Content costs increased by PLN 50.1 million, or 6.5%, to PLN 816.9 million in the nine-month period ended September 30, 2016 from PLN 766.8 million for nine-month period ended September 30, 2015. This increase is due primarily to the recognition of higher costs of sports licenses and internal production related to the broadcasting of UEFA EURO 2016 and Qualifiers to the 2018 FIFA World Cup, as well as higher costs of amortization of film licenses connected with the expansion of the programming schedule of our main channel, Polsat, and thematic channels, in particular TV4 and TV6.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 22.8 million, or 3.9%, to PLN 605.3 million in the nine-month period ended September 30, 2016 from PLN 582.5 million in the nine-month period ended September 30, 2015, mainly due to the recognition of higher costs of sales commissions (accounting effect) and the recognition of distribution, marketing, customer relation management and retention costs in Orsen Holding Ltd. and its subsidiaries, acquired on April 1, 2015.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 196.5 million, or 15.6%, to PLN 1,459.1 million in the nine-month period ended September 30, 2016 from PLN 1,262.6 million in the nine-month period ended September 30, 2015, primarily as the result of the recognition of depreciation costs of Midas Group for the period from March to September 2016, including the additional depreciation of telecommunications licenses resulting from the valuation of those licenses during the preliminary purchase price allocation process related to the acquisition of Midas Group.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators decreased by PLN 89.8 million, or 5.8%, to PLN 1,466.1 million in the nine-month period ended September 30, 2016 from PLN 1,555.9 million in the nine-month period ended September 30, 2015. This decrease was the net effect of the elimination during consolidation of growing costs of data traffic within our broadband Internet access service in connection with the acquisition of Midas Group on February 29, 2016 (in the comparative period the aforementioned costs of traffic were payable to Midas Group), and higher interconnection costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 14.4 million, or 3.7%, to PLN 406.6 million in the nine-month period ended September 30, 2016 from PLN 392.2 million in the nine-month period ended September 30, 2015, as a result of a modification of the schedule of creating provisions for allowances for the employees of the Group, from a semi-annual to a quarterly cycle, higher salaries and employee-related costs in the television broadcasting and production segment, as well as the recognition of salaries and employee-related costs of Midas Group following its consolidation from February 29, 2016.

Cost of equipment sold

Cost of equipment sold increased by PLN 35.4 million, or 3.8%, to PLN 974.6 million in the nine-month period ended September 30, 2016 from PLN 939.2 million in the nine-month period ended September 30, 2015. This increase was primarily caused by a higher unit cost of sold equipment, while the total volume of sales declined. The increase in the unit cost was due, among other things, to the growing share of contracts comprising the sale of more expensive equipment in the installment sales model and a decreasing number of cheaper devices sold in the subsidy model.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Cost of debt collection services and bad debt allowance and receivables written off

The cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 23.4 million, or 42.5%, to PLN 31.6 million in the nine-month period ended September 30, 2016 from PLN 55.0 million in the nine-month period ended September 30, 2015, primarily due to a change in the method of calculating write-offs on receivables in the installment plan sales model.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Other costs

Other costs increased by PLN 14.1 million, or 9.1%, to PLN 168.5 million in the nine-month period ended September 30, 2016 from PLN 154.4 million in the nine-month period ended September 30, 2015. This increase was primarily the effect of the recognition of the cost of sold licenses related to the UEFA EURO 2016 and was partially off-set by a decrease in the costs of office real estate maintenance.

The effect of consolidation of Midas Group was immaterial on this item of the profit and loss statement.

Other operating income/costs, net

Other operating income, net decreased by PLN 23.5 million, or 63.7%, to PLN 13.4 million in the nine-month period ended September 30, 2016 from PLN 36.9 million in the nine-month period ended September 30, 2015.

The effect of consolidation of Midas Group was immaterial on this position of the profit and loss statement.

Gains/(losses) on investment activities, net

Net losses on investment activities amounted to PLN 43.5 million in the nine-month period ended September 30, 2016, which constitutes a decrease by PLN 55.3 million compared to net gains on investment activities of PLN 11.8 million in the nine-month period ended September 30, 2015. This decrease was mainly due to higher foreign exchange costs related to the valuation of liabilities related to the UMTS license (due to the depreciation of the PLN versus the EUR in the three quarters of 2016 compared to the appreciation of the PLN versus the EUR in the corresponding period of 2015), as well as to the recognition of foreign exchange losses on the valuation of cash used to repay the PLK Senior Notes in January 2016 (this loss corresponds with lower foreign exchange costs on the valuation of the PLK Senior Notes).

Finance costs

Finance costs amounted to PLN 443.2 in the nine-month period ended September 30, 2016 and increased by PLN 48.6 million, or 12.3%, compared to PLN 394.6 million in the nine-month period ended September 30, 2015. This increase was due to the base effect - one-off, non-cash operations related to the refinancing of the Group's hitherto debt were recognized in finance costs in the third quarter of 2015 thus leading to the recognition of a profit - as well as to a higher valuation of the PLK Senior Notes, denominated in EUR and USD, resulting from a strong depreciation of the PLN versus the EUR in the three quarters of 2016. The increase in finance costs described above was off-set to a significant extent by the recognition in the nine-month period ended September 30, 2016 of a one-off net revenue related to the valuation and execution of forward contracts hedging the repayment of the principal of the PLK Senior Notes and lower costs of interest on the PLK Senior Notes in connection with their early redemption on February 1, 2016.

As a result of the acquisition of Litenite capital group, as of February 29, 2016, this position also comprises costs of interest on loans and notes of Litenite group for the period of consolidation.

Net profit

As a consequence of the changes described above, net profit decreased by PLN 298.6 million, or 30.5%, to PLN 679.2 million in the nine-month period ended September 30, 2016 from PLN 977.8 million in the nine-month period ended September 30, 2015.

EBITDA & EBITDA margin

EBITDA decreased by PLN 65.5 million, or 2.3%, to PLN 2,738.5 million in the nine-month period ended September 30, 2016 from PLN 2,804.0 million in the nine-month period ended September 30, 2015. EBITDA margin decreased by 0.8 pp to 38.1% in the nine-month period ended September 30, 2016, from 38.9% in the nine-month period ended September 30, 2015.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 5.030 full-time equivalents in the nine-month period ended September 30, 2016, as compared to 5,049 full-time equivalents in the corresponding period of 2015.

4.3.2. Operating segments

The Group operates in the following two segments:

- services to individual and business customers segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services, the online TV services and production of set-top boxes,
- broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segment with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments.

Services to individual and business customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services and revenues are generated mainly by pay TV subscription fees;
- mobile telecommunication services in the contract model (postpaid and mix) which generate revenues mainly from interconnection, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- online TV services (IPLA), which generate revenues mainly from subscription fees and advertising on the Internet;
- premium rate services based on SMS/IVR/MMS/WAP technologies;
- production of set-top boxes;
- sale of telecommunication and TV reception equipment.

Broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information and entertainment programs, as well as TV series and feature films broadcasted on television and radio channels in Poland. The revenues generated by the broadcasting and television production segment relate mainly to advertising and sponsorship revenues, as well as revenues from cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization, impairment and liquidation. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the nine months ended September 30, 2016:

9 months ended September 30, 2016 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,274.9	919.8	-	7,194.7
Inter-segment revenues	22.6	150.7	(173.3)	-
Revenues	6,297.5	1,070.5	(173.3)	7,194.7
EBITDA (unaudited)	2,328.7	409.8	-	2,738.5
Depreciation, amortization, impairment and liquidation	1,428.8	30.3	-	1,459.1
Profit from operating activities	899.9	379.5	-	1,279.4
Acquisition of property, plant and equipment, reception equipment and other intangible assets	487.8*	19.9	-	507.7
Balance as at September 30, 2016 (unaudited)				
Assets, including:	23,016.2	4,518.1**	(41.2)	27,493.1
Investments in joint ventures	-	5.8	-	5.8

* This item also includes the acquisition of reception equipment for operating lease purposes.
**This item includes non-current assets located outside of Poland in the amount of PLN 9.0 million.

All material revenues are generated in Poland.

It should be noted that the nine-month period ended September 30, 2016 is not comparable to the nine-month period ended September 30, 2015 as Radio PIN S.A. was acquired on February 27, 2015 (allocated to the Broadcasting and television production segment), Orsen Holding Ltd. was acquired on April 1, 2015 (allocated to the Services to individual and business customers segment), Litenite Limited was acquired on February 29, 2016 (allocated to the Services to individual and business customers segment).

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 9 months ended September 30, 2015:

9 months ended September 30, 2015 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,411.5	801.6	-	7,213.1
Inter-segment revenues	24.0	111.1	(135.1)	-
Revenues	6,435.5	912.7	(135.1)	7,213.1
EBITDA (unaudited)	2,484.0	320.0	-	2,804.0
Depreciation, amortization, impairment and liquidation	1,233.6	29.0	-	1,262.6
Profit from operating activities	1,250.4	291.0	-	1,541.4
Acquisition of property, plant and equipment, reception equipment and other intangible assets	509,8*	24.0	-	533.8
Balance as at September 30, 2015 (unaudited)				
Assets, including:	21,836.4	4,344.4**	(37.3)	26,143.5
Investments in joint ventures	-	5.1	-	5.1

* This item also includes the acquisition of reception equipment for operating lease purposes.
**This item includes non-current assets located outside of Poland in the amount of PLN 22.3 million.

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the 9 months ended	
	September 30, 2016 unaudited	September 30, 2015 unaudited
EBITDA (unaudited)	2,738.5	2,804.0
Depreciation, amortization, impairment and liquidation	(1,459.1)	(1,262.6)
Profit from operating activities	1,279.4	1,541.4
Other foreign exchange rate differences, net	(45.0)	4.5
Share of the profit of joint venture accounted for using the equity method	-	1.9
Cumulative catch-up	-	616.2
Interest costs, net	(384.6)	(581.3)
Foreign exchange differences on issued bonds	(244.8)	(141.9)
Valuation and realization of derivatives not used in hedge accounting – relating to principal	203.8	-
Early redemption costs	-	(244.8)
Other	(16.1)	(35.5)
Gross profit for the period	792.7	1,160.5
Income tax	(113.5)	(182.7)
Net profit for the period	679.2	977.8

4.3.3. Balance sheet analysis

As at September 30, 2016 and December 31, 2015, our balance sheet amounted to PLN 27,493.1 million and PLN 26,490.1 million, respectively.

Assets

As at September 30, 2016 and December 31, 2015, our non-current assets were PLN 24,047.6 million and PLN 22,261.2 million, respectively, and accounted for 87.5% and 84.0% of total assets, respectively.

As at September 30, 2016 and December 31, 2015, our current assets amounted to PLN 3,445.5 million and PLN 4,228.9 million, respectively, and accounted for 12.5% and 16.0% of the total assets, respectively.

The value of reception equipment amounted to PLN 350.4 million as at September 30, 2016 and decreased by PLN 20.6 million, or 5.6%, compared to PLN 371.0 million as at December 31, 2015.

The value of other property, plant and equipment increased by PLN 334.2 million, or 13.1%, to PLN 2,882.8 million as at September 30, 2016 from PLN 2,548.6 million as at December 31, 2015, mainly due to the recognition of the value of the technical infrastructure and telecommunications network equipment of Midas Group.

The value of goodwill increased by PLN 368.9 million, or 3.5%, to PLN 10,975.3 million as at September 30, 2016 from PLN 10,606.4 million as at December 31, 2015, as an effect of the recognition of the preliminary valuation of shares of Midas Group, acquired on February 29, 2016 and IT Polpager S.A., acquired on September 30, 2016.

The value of customer relationships decreased by PLN 454.3 million, or 12.5%, to PLN 3,184.2 million as at September 30, 2016 compared to PLN 3,638.5 million as at December 31, 2015 due to amortization costs for the nine-month period ended September 30, 2016.

As at September 30, 2016, the value of brands was PLN 2,062.5 million, which constitutes a decrease by PLN 18.1 million, or 0.9%, to PLN 2,080.6 million as at December 31, 2015, due to recognition of the amortization of the Plus trademark in the nine-month period ended September 30, 2016.

The value of other intangible assets amounted to PLN 3,769.5 million as at September 30, 2016 which constitutes an increase by PLN 1,347.3 million, or 55.6%, compared to PLN 2,422.2 million as at December 31, 2015. The main reason behind this increase is the recognition and subsequent valuation of telecommunication licenses belonging to Midas Group and the recognition of licenses for frequencies in the 2600 MHz band, purchased by Polkomtel in the LTE auction concluded in 2015.

The value of non-current and current programming assets increased by PLN 7.5 million, or 2.2%, to PLN 344.7 million as at September 30, 2016, from PLN 337.2 million as at December 31, 2015. This increase was the effect of the purchase of additional film licenses in order to expand our scheduling which will translate into higher attractiveness of our programming offer and therefore has a positive impact on the viewership results of our channels, and was partially off-set by the attribution to costs of the value of sport licenses related to UEFA EURO 2016.

Investment property amounted to PLN 5.2 million as at September 30, 2016 and remained unchanged since December 31, 2015.

The value of non-current and current deferred distribution fees amounted to PLN 288.0 million as at September 30, 2016, which constitutes a decrease by PLN 8.0 million, or 2.7%, from PLN 296.0 million as at December 31, 2015.

The value of other non-current assets amounted to PLN 373.3 million as at September 30, 2016 and increased by PLN 100.5 million, or 36.8%, compared to PLN 272.8 million as at December 31, 2015, i.a. as a result of an increase of receivables from installment plan sales of equipment.

The value of deferred tax assets amounted to PLN 238.4 million as at September 30, 2016, which constitutes an increase by PLN 150.8 million, or 172.1%, compared to PLN 87.6 million as at December 31, 2015, primarily due to the consolidation of Midas Group.

The value of inventories was PLN 281.0 million as at September 30, 2016 and remained at an unchanged level compared to September 30, 2015.

The value of trade and other receivables decreased by PLN 47.3 million, or 2.9%, to PLN 1,571.8 million as at September 30, 2016 from PLN 1,619.1 million as at December 31, 2015, among others due to lower public receivables.

The value of other current assets amounted to PLN 54.9 million as at September 30, 2016, which constitutes a decrease by PLN 344.6 million, or 86.3%, compared to PLN 399.5 million as at December 31, 2015, primarily due to the elimination of intragroup settlements related to the purchase of data packages from Midas Group due to its consolidation from February 29, 2016.

The value of cash and cash equivalents and restricted cash decreased by PLN 413.5 million, or 27.1%, to PLN 1,110.2 million as at September 30, 2016 from PLN 1,523.7 million as at December 31, 2015, due, among other things, to the purchase of shares in Midas under the tender offer and squeeze-out, the purchase of Midas Notes, payments for license reservations and the repayment of the indebtedness under the Combined SFA according to schedule.

Equity and liabilities

Equity increased by PLN 783.4 million, or by 7.6%, to PLN 11,033.5 million as at September 30, 2016 from PLN 10,250.1 million as at December 31, 2015, primarily due to profit generated in the nine-month period ended September 30, 2016, in the amount of PLN 679.2 million and the recognition of the value of non-controlling shares.

As at September 30, 2016 and December 31, 2015 the value of our non-current liabilities amounted to PLN 13,004.8 million and PLN 7,773.5 million, which constituted 79.0% and 47.9% of the Group's total liabilities, respectively.

As at September 30, 2016 and December 31, 2015 the value of our current liabilities amounted to PLN 3,454.8 million and PLN 8,466.5 million, which constituted 21.0% and 52.1% of the Group's total liabilities, respectively.

Loans and borrowings (long- and short-term) increased by PLN 4,189.0 million, or 63.4%, to PLN 10,799.7 million as at September 30, 2016 from PLN 6,610.7 million, which was the net effect of the increased use of the Combined SFA by drawing the amount of PLN 4,800.0 million and the repayment of debt according to schedule pursuant to the Amendment, Restatement and Consolidation Deed.

Senior Notes liabilities (long- and short-term) decreased by PLN 3,905.0 million or by 67.9%, to PLN 1,847.0 million as at September 30, 2016 from PLN 5,752.0 million as at December 31, 2015. This is the net effect of the premature redemption of the PLK Senior Notes on January 29, 2016 as part of the refinancing process, as well as servicing indebtedness under the

Series A Notes issued on July 21, 2015 and the recognition of liabilities on Litenite Notes, acquired along with shares in Litenite.

Finance lease liabilities (long- and short-term) amounted to PLN 27.0 million as at September 30, 2016 and increased by PLN 1.8 million, or 7.1%, from PLN 25.2 million as at December 31, 2015.

UMTS license liabilities (long- and short-term) decreased by PLN 96.3 million, or 12.5%, to PLN 673.5 million as at September 30, 2016 from PLN 769.8 million as at December 31, 2015, due to the subsequent payment for the UMTS license executed in September 2016.

Deferred income tax liabilities increased by PLN 307.4 million, or 49.9%, to PLN 923.2 million as at September 30, 2016 from PLN 615.8 million as at December 31, 2015, i.a. due to the acquisition of Midas Group.

Non-current and current deferred income amounted to PLN 680.9 million as at September 30, 2016, and remained at an unchanged level compared to PLN 680.8 million as at December 31, 2015.

The value of other non-current liabilities and provisions amounted to PLN 148.2 million as at September 30, 2016, which constitutes an increase by PLN 24.0 million, or 19.3%, compared to PLN 124.2 million as at December 31, 2015, due i.a. to provisions in Midas Group.

The value of trade and other payables amounted to PLN 1.338.1 million as at September 30, 2016 which constitutes a decrease by PLN 147.3 million, or 9.9%, compared to PLN 1,485.4 million as at December 31, 2015. This decrease was driven primarily by lower liabilities related to the purchase of non-current assets and intangible assets, as well as the recognition in the comparative period of the valuation of derivatives hedging future interest payments on term loans (IRS), and USD and EUR denominated notes (CIRS).

Income tax liabilities decreased by PLN 154.1 million, or 87.5%, to PLN 22.0 million as at September 30, 2016 from PLN 176.1 million as at December 31, 2015, i.a. due to the backflush settlement by Polkomtel in March 2016 of corporate income tax, which was paid in the advance payment model in 2015.

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the nine-month periods ended September 30, 2016 and 2015.

[mPLN]	for the 9 months ended September 30[1]		change	
	2016	2015	mPLN	%
Net cash from operating activities	2,140.9	2,109.8	31.1	1.5%
Net cash from/(used in) investing activities	(1,138.8)	(576.3)	(562.5)	97.6%
Net cash from/(used in) financing activities	(1,413.5)	(2,210.8)	797.3	(36.1%)
Net increase in cash and cash equivalents	(411.4)	(677.3)	265.9	(39.3%)
Capital expenditure	395.8	434.3	(38.5)	(8.9%)

(1) Results of Midas Group consolidated from February 29, 2016.

Net cash from operating activities

Net cash from operating activities amounted to PLN 2,140.9 million in the nine-month period ended September 30, 2016, which constitutes an increase of PLN 31.1 million, or 1.5%, compared to PLN 2,109.8 million in the nine-month period ended September 30, 2015. The increase in net cash from operating activities was mainly the result of the net profit generated in the nine-month period ended September 30, 2015, amounting to PLN 679.2 million, lower by PLN 298.6 million than in the comparative period, adjusted by a series of factors, the most significant being:

- a one-off cumulative catch-up and early redemption costs related to senior notes in the nine-month period ended September 30, 2015,
- lower income tax resulting from a lower gross profit and higher value of income tax paid in the nine-month period ended September 30, 2016, than in the comparative period,

- recognition of net gains on derivatives in the nine-month period ended September 30, 2016, versus a net loss on derivatives in the comparative period,
- higher costs of depreciation, amortization, impairment and liquidation in the nine-month period ended September 30, 2016, than in the comparative period,
- a lower increase in receivables and other assets in the nine-month period ended September 30, 2016, than in the comparative period,
- lower interest costs in the nine-month period ended September 30, 2016, than in the comparative period,
- higher costs related to foreign exchange differences recognized in the nine-month period ended September 30, 2016, than in the comparative period,
- a lower decrease in liabilities, provisions and deferred income in the nine-month period ended September 30, 2016, than in the comparative period,
- a lower decrease in inventories in the nine-month period ended September 30, 2016, than in the comparative period,
- lower payments for film licenses and sport broadcasting rights combined with higher amortization costs of film licenses and sport broadcasting rights in the nine-month period ended September 30, 2016, than in the comparative period.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 1,138.8 million in the nine-month period ended September 30, 2016, which constitutes an increase by PLN 562.5 million, or 97.6%, from PLN 576.3 million in the corresponding period of 2015. This item primarily comprised current expenditures on investments of Polsat Group, the purchase of Midas Notes for the total amount of PLN 323.6 million, payments for the UMTS license and for the reservation of four blocks in the 2600 MHz band, won by Polkomtel in the LTE auction concluded in 2015, and the acquisition of non-controlling shares in Midas Group net of cash acquired.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 1,413.5 million in the nine-month period ended September 30, 2016, which constitutes a decrease by PLN 797.3 million, or 36.1%, compared to PLN 2,210.8 million in the corresponding period of 2015. The amount of cash used in financing activities in the three quarters of 2016 was affected primarily by the refinancing of the PLK Senior Notes and the associated premium paid for early redemption, the refinancing of term loans, the repayment of bank loans granted to Midas Group, as well as inflow from the beneficial realization of currency hedging instruments.

Capital expenditure on the purchase of property, plant and equipment and intangible assets, and payments for telecommunication concessions

In the nine-month period ended September 30, 2016 cash expenditures of Polsat Group on the purchase of property, plant and equipment and intangible assets decreased by PLN 38.5 million, or 8.9%, to PLN 395.8 million from PLN 434.3 million in the corresponding period of 2015. These expenditures comprised among others, the continued roll-out of the telecommunications network based on HSPA+ and LTE technologies, the modernization of the transmission network, the purchase of IT software and licenses, the modernization of service platforms, the execution of the project of integration and modernization of server environments, investments in infrastructure to provide convergent service for B2B customers, a replacement of the switchboard at our call center, the purchase of equipment related to the launch of the Cyfrowy Polsat GO services, expenditures related to the implementation of a new logistic model, expenditures related to the modernization of the interior design of our points of sale, and expenditures related to the construction of the new recording studio.

4.3.5. Liquidity and capital resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

We believe that our cash balances and cash generated from our current operations, as well as means available within our revolving facilities (described below) should be sufficient to fund the future cash needs for our operational activity, development of our services, service of our debt as well as for realization of a majority of investment plans in the field of the Group's activity.

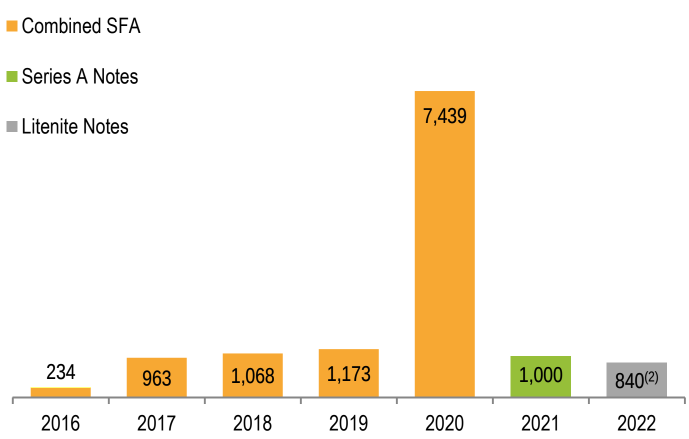
The table below presents a summary of the indebtedness of the Group as at September 30, 2016.

	Balance value [mPLN]	Coupon / interest	Maturity date
Combined SFA	10.799,7	WIBOR + margin	2020
Revolving Facility Loan	-	WIBOR + margin	2020
Series A Notes	1.007,0	WIBOR + 2.5%	2021
Zero-coupon Litenite Notes	839,8	10%	2022
Leasing and other	27,2	-	-
Gross debt	12.673,7	-	-
Cash and cash equivalents (1)	(1.110,2)	-	-
Net debt	11.563,5	-	-
EBITDA LTM	3.619,6	-	-
Net debt / EBITDA LTM according to SFA (2)	2,96	-	-
Total net debt / EBITDA LTM	3,19	-	-

1) This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
2) Net debt calculated in accordance with the Combined SFA definition, i.e. excluding non-cash serviced debt.

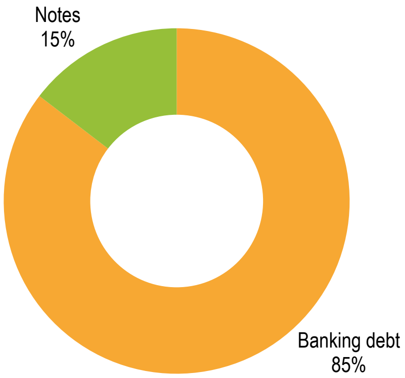
The graphs below present the aging balance of the Group's debt and its currency composition as at September 30, 2016, expressed in nominal values and excluding the debt under the revolving facility loans.

Debt maturing profile(1)
as at September 30, 2016 [mPLN]

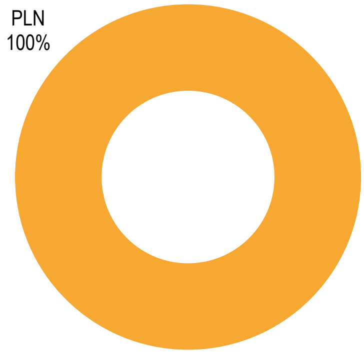


(1) Nominal value of the indebtedness as at September 30, 2016 (excluding the Revolving Facility Loan).
(2) Liability related to the Litenite Notes as at September 30, 2016.

Debt structure by instrument type (1)
as at September 30, 2016



Debt structure by currency (1)
as at September 30, 2016



(1) Nominal value of the indebtedness as at September 30, 2016 (excluding the Revolving Facility Loan).

Material financing agreements executed by the Group

Presented below is information on significant agreements executed by the Company and the Group companies, which remain in force as at the date of publication of this Report, as well as a brief description of those agreements, which have expired during the nine months of 2016 due to the repayment of debt granted on their basis.

Combined Senior Facilities Agreement

On September 21, 2015, the Company, as the borrower, along with Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy concluded a Senior Facilities Agreement with a consortium of Polish and foreign financial institutions, led by Powszechna Kasa Oszczędności Bank Polski S.A., Bank Zachodni WBK S.A., ING Bank Śląski S.A., Société Générale (Global Banking Coordinators) with the participation of PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2, BNP Paribas Fortis SA/NV, Bank Polska Kasa Opieki S.A., The Bank of Tokyo-Mitsubishi UFJ Ltd., Bank of China (Luxembourg) S.A., Credit Agricole Corporate & Investment Bank, Credit Agricole Bank Polska S.A., DNB Bank Polska S.A., DNB Bank ASA, HSBC Bank Polska S.A., HSBC Bank plc, Bank Handlowy w Warszawie S.A., CaixaBank, S.A. (Spółka Akcyjna) Oddział w Polsce, mBank S.A., Bank Millennium S.A., Raiffeisen Bank Polska S.A., Goldman Sachs Bank USA, Erste Group Bank AG, Deutsche Bank Polska S.A., and UniCredit Bank AG, London Branch, acting as the Facility Agent and the Security Agent (the "CP Facilities Agreement").

Moreover, on September 21, 2015, a Senior Facilities Agreement was concluded between Polkomtel as the borrower along with Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and the consortium of Polish and foreign financial institutions indicated above (the "PLK Facilities Agreement").

Based on the CP Facilities Agreement the Company had been awarded a term facility loan up to PLN 1,200.0 million and a revolving facility loan up to PLN 300.0 million. Based on the PLK Facilities Agreement Polkomtel has been awarded a term facility loan up to PLN 10,300.0 million and a revolving facility loan up to PLN 700.0 million.

The Company utilized the funds obtained under the CP SFA in particular to repay the indebtedness under the Refinanced CP Senior Facilities Agreement of April 11, 2014 between the Company (as the borrower) and a consortium of financial institutions. Polkomtel utilized the funds granted under the PLK Term Facility in particular to fully repay the outstanding debt under the Facilities Agreement of June 17, 2013 concluded between Polkomtel, Eileme 2, Eileme 3 and Eileme 4, and a consortium of Polish and foreign banks and financial institutions (the repayment took place on September 28, 2015), and to fully repay the indebtedness under the PLK Senior Notes (the repayment took place on January 29, 2016). Furthermore, the Group uses the funds obtained under the CP and PLK SFA to finance general corporate needs.

In connection with the redemption on February 1, 2016 of the PLK Senior Notes, amendments, provisioned for in the Amendment, Restatement and Consolidation Deed of September 21, 2015 were incorporated to the CP SFA (for details see current report no. 42/2015 dated September 21, 2015). The amendments consisted, in particular, in increasing the maximum amount of the term loan to PLN 11,500.0 million and of the revolving facility to PLN 1,000.0 million and the repayment in full of the indebtedness under the PLK SFA. Furthermore, Polkomtel and other subsidiaries of the Company, who were parties to the PLK SFA, have acceded to the CP Senior Facilities Agreement as a borrower and guarantor or guarantor and additional security interests were established as required by the Amendment, Restatement and Consolidation Deed. Given the above, we will refer to the amended CP SFA as the Combined SFA, and the term loan and revolving facility granted under this agreement as the Term Loan and Revolving Facility, respectively.

On May 27, 2016 subsidiaries acquired by Polkomtel on February 29, 2016 ceded to the Combined SFA - Litenite Limited, as an Additional Guarantor, and Midas, as an Additional Borrower and Additional Guarantor.

The Term Facility and the Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the Term Facility and the Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1, whereby the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the Combined SFA, excludes debt instruments in which interest is not paid in cash on a current basis. The period of the Term Facility and the Revolving Facility is five years and the final repayment date for each of these facilities is September 21, 2020. The Term Facility and the Revolving Facility are to be repaid in quarterly installments of variable value.

Pursuant to the Combined SFA the Company and its Group companies established certain collaterals for the credit facilities granted thereunder. In particular, these collaterals include registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of the Company and its selected subsidiaries, registered and financial pledges on shares in the Company's subsidiaries, registered and financial pledges on receivables related to bank accounts kept for the Company or its selected subsidiaries, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares or assets of the Company's subsidiaries, to be governed by foreign laws. A detailed description of established securities is presented in item 4.3.6. of this Report – *Operating and financial review of Polsat Group – Review of our financial situation - Information on guarantees granted by the Company or subsidiaries.*

When the net consolidated indebtedness to consolidated EBITDA ratio falls to or below 1.75:1, the Company will have a right to demand that the collaterals for the Combined Senior Facilities Agreement be released (save for guarantees granted on the basis of the Combined SFA). However, such released collateral will need to be re-established if the net consolidated indebtedness to consolidated EBITDA ratio again rises above 1.75:1. Additionally, if certain members of the Company's Group incur secured indebtedness, a pari passu collateral will need to be established in favor of the Security Agent (acting for, among others, the lenders under the Combined Senior Facilities Agreement).

Furthermore, in accordance with the provisions of the Combined SFA the Company and other entities from the Group may incur additional facilities. The terms of such additional facilities will be established individually in separate additional facility accession deeds and their terms will have to satisfy certain criteria, depending on the net consolidated indebtedness to consolidated EBITDA ratio.

Pursuant to the Combined SFA, certain members of the Group are to grant guarantees under the English law to each of the financing parties under the Combined SFA and other finance documents executed in relation thereto. The amount of the guarantees will be equal to the amount of the facility increased by all fees and receivables contemplated in the Combined SFA or other finance documents executed in relation thereto. The guarantees secure:

(i) the timely discharge of the obligations under the Combined SFA and other finance documents executed in relation thereto,

(ii) a payment of amounts due under the Combined SFA and other finance documents executed in relation thereto; and

(iii) an indemnification of the financing parties referred to above against any liabilities, costs and losses that such financing parties may incur in relation to unenforceability, ineffectiveness or unlawfulness of any obligation secured by these guarantees. The period of the guarantees has not been specified. The guarantors will be remunerated at arm's length for granting the guarantees.

The Combined SFA provides for typical conditions precedent for the disbursement of the contemplated facilities and certain conditions subsequent for the disbursement of the contemplated facilities, also typical for this kind of transactions.

Series A Bonds issued by Cyfrowy Polsat

Pursuant to the resolution of the Management Board adopted on July 2, 2015, Cyfrowy Polsat issued on July 21, 2015 1,000,000 unsecured, unsubordinated series A bearer bonds with a nominal value of PLN 1,000.0 each and a total nominal value of PLN 1,000.0 million, maturing on July 21, 2021 (the "Series A Bonds" or the "Bonds"). The Bonds were issued by way of a public offering. Detailed terms and conditions of the Bonds' issuance, redemption and payment of interest are specified in the Bonds Terms.

The interest rate on the Bonds is floating and based on the WIBOR rate for six-month deposits denominated in PLN, increased by a margin whose value depends on the value of the Leverage Ratio (defined in the Bonds Terms as ratio of the net financial indebtedness to EBITDA):

(i) the margin amounts to 250 bps if the Leverage Ratio in the given period is less than or equal to 3.5:1;

(ii) the margin amounts to 275 bps if the Leverage Ratio in the given period is greater than 3.5:1 but less than or equal to 4.0:1;

(iii) the margin amounts to 325 bps if the Leverage Ratio in the given period is greater than 4.0:1.

The coupon is paid biannually on January 21 and July 21.

In accordance with the provisions of the Bonds Terms, the Company may exercise at any time an early redemption of all or part of the Bonds, however, the early redemption may not apply to Bonds that constitute less than 10% of the total nominal value of the Series A Bonds. An early redemption may be exercised based on the Bonds' nominal value together with the accrued interest plus an applicable premium depending on the date of redemption, specified as follows:

(i) if the early redemption occurs between July 21, 2016 and July 21, 2017, the premium shall be equal to 2% of the nominal value of the Bonds subject to the early redemption;

(ii) if the early redemption occurs between July 21, 2017 and July 21, 2018, the premium shall be equal to 1% of the nominal value of the Bonds subject to the early redemption;

(iii) if the early redemption occurs after July 21, 2018, the Bonds shall be redeemed according to their nominal value.

Additionally, pursuant to the Bonds Terms, the Company and its subsidiaries are obliged to maintain required levels of certain financial ratios and are subject to restrictions, with respect to (but not limited to):

(i) acquisition or taking up of shares in other companies;

(ii) extending guarantees or granting sureties, accession to debt or release from liability;

(iii) granting loans;

(iv) disposing of assets;

(v) payment of dividends or advance dividends, payment of the price for own shares, or returns of additional payments to shareholders;

(vi) incurring of financial indebtedness and

(vii) entering into composition agreements.

In the event of a breach of restrictions specified in the Bonds Terms, Bondholders are entitled to demand an early redemption of Bonds held by those Bondholders with the consent of the Meeting of Bondholders.

In the event of change of control, as defined in the Bonds Terms, cessation of business activity or insolvency by the Company, i.a. by declaring bankruptcy or liquidation of the Company, Bondholders are entitled to demand an early redemption of Bonds held by those Bondholders.

On August 12, 2015, the Series A Bonds were introduced to trading in the alternative trading system on the Catalyst market managed by WSE.

The Bonds are issued under Polish law and any disputes related to the Bonds shall be resolved in proceedings at the Polish common court having jurisdiction over the registered office of the Company.

Litenite Notes

Litenite, a subsidiary of Cyfrowy Polsat acquired on February 29, 2016, issued zero-coupon unsecured loan notes 2022 with the total nominal value of PLN 1,524.4 million and the issue price of PLN 782.0 million, maturing on December 31, 2022.

Litenite may exercise an early redemption of the all or part of the Litenite Notes. An early redemption shall be exercised based on the Litenite Notes' value calculated as at the date of the early redemption plus an applicable premium depending on the date of redemption, specified as follows:

(i) if the early redemption occurs not sooner than January 2, 2016 and not later than January 1, 2017, the premium shall be equal to 10.0% of the issue price;

(ii) if the early redemption occurs not sooner than January 2, 2017 and not later than January 1, 2018, the premium shall be equal to 7.5% of the issue price;

(iii) if the early redemption occurs not sooner than January 2, 2018 and not later than January 1, 2019, the premium shall be equal to 5.0% of the issue price;

(iv) if the early redemption occurs not sooner than January 2, 2019 and not later than January 1, 2020, the premium shall be equal to 2.5% of the issue price;

(v) if the early redemption occurs on January 2, 2020 or later, the notes shall be redeemed without a premium.

In the event of a breach of restrictions specified in the terms of issuance of the Litenite Notes, are entitled to demand an early redemption of the held notes.

PLK Senior Notes

On January 26, 2012 Eileme 2, Eileme 3, Eileme 4, Spartan (whose legal successor is Polkomtel), Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, Citigroup Global Markets Deutschland AG, executed an Indenture on the issue of senior notes by Eileme 2 for a total nominal amount of EUR 542.5 million and USD 500.0 million, maturing in 2020, subsequently joined by selected Polkomtel subsidiaries.

On February 1, 2016, Eileme 2 redeemed all of the PLK Senior Notes denominated in EUR and USD at the redemption price (expressed as percentages of principal amount) equal to 105.875% for the PLK Senior Notes denominated in EUR and 105.813% for the PLK Senior Notes denominated in USD.

Series A bonds issued by Midas (the "Midas Notes")

Pursuant to the resolution of the management board adopted on March 6, 2013, amended by the resolutions of the management board of March 28, 2013, July 2, 2015 and March 14, 2016, Midas issued on April 16, 2013 583,772 zero-coupon, dematerialized, secured on selected assets, series A bearer notes with the nominal value of PLN 1,000.0 each and the total nominal value of PLN 583.8 million, maturing on April 16, 2021.

On August 5, 2013, the series A notes issued by Midas were introduced to trading in the alternative trading system on the Catalyst market managed by WSE. On May 12, 2016 the Group purchase a majority of Midas Notes.

The Midas Notes are issued under Polish law and any disputes related to the Bonds shall be resolved in proceedings at the Polish common court having jurisdiction over the registered office of Midas.

As at September 30, 2016, following the purchase of Midas Notes on May 12, 2016, companies belonging to Polsat Group are the owners of the majority of Midas Notes. Consequently, the book value of these notes is almost entirely subject to elimination during consolidation and therefore is not presented in the summary of Polsat Group's financial indebtedness.

Investment loan agreements concluded between Aero2 and Plus Bank S.A.

On October 27, 2010 and November 25, 2010 investment loan agreements, as amended, were concluded between Aero2 Sp. z o.o., as borrower, and Invest Bank S.A. (currently Plus Bank S.A.) as the creditor, with the aim to refinance and finance investment expenditures on telecommunication infrastructure.

Based on these agreements, as amended, Aero2 was granted a term loan in the total amount of PLN 64.5 million. The indebtedness under the agreements with Plus Bank S.A. was repaid, using own funds, in full on May 10, 2016 by Midas Group, and all securities established pursuant to the agreements, have been released.

Investment loan agreement concluded between Midas Group and Bank Polska Kasa Opieki S.A.

On July 10, 2014 Midas and its subsidiaries: Aero2 Sp. z o.o., CenterNet S.A. and Mobyland Sp. z o.o., as borrowers, and Bank Polska Kasa Opieki S.A. as creditor concluded an investment loan agreement, later amended by amendments dated March 30, 2015, June 26, 2015 and October 22, 2015.

Based on this agreement, as amended, Midas Group was granted a term loan in the total amount of PLN 350.0 million. The funds acquired under this agreement were used in particular for the development of the LTE and HSPA+ networks, and to refinance the earlier indebtedness of Midas Group amounting to PLN 150.0 million.

The indebtedness under the loan agreement with Bank Polska Kasa Opieki S.A. was repaid in full on April 29, 2016 by the companies Midas and Aero2, and all securities established pursuant to the agreement, have been released. Funds used to repay the debt were generated from operating activities of Midas Group.

Contractual obligations

Contractual commitments to purchase programming assets

As at September 30, 2016 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	September 30, 2016 (unaudited)	December 31, 2015
within one year	166.3	178.1
between 1 to 5 years	80.7	116.4
Total	247.0	294.5

The table below presents outstanding commitments to purchase programming assets from related parties not included in the consolidated financial statements:

[mPLN]	September 30, 2016 (unaudited)	December 31, 2015
within one year	11.4	15.9
Total	11.4	15.9

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 151.7 million as at September 30, 2016 (PLN 136.3 million as at December 31, 2015). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at September 30, 2016 was PLN 112.0 million (PLN 63.8 million as at December 31, 2015).

Ratings

The table below presents a summary of ratings assigned to certain companies of Polsat Group as at the date of publication of this Report.

	Moody's Investor Services			Standard & Poor's Rating Services		
	Rating / perspective	Previous rating/ perspective	Update	Rating / perspective	Previous rating/ perspective	Update
CYFROWY POLSAT						
Corporate rating	Ba2 / stable	Ba3 / positive	16.05.2016	BB+/stable	BB/ CreditWatch Positive	25.09.2015

On May 16, 2016 Moody's Investors Service upgraded the corporate family rating (CFR) of Cyfrowy Polsat S.A. from Ba3 to Ba2, with a stable outlook. In its justification Moody's stated that the rating upgrade primarily reflects the progress in the process of integration of Cyfrowy Polsat and Polkomtel, the continuing financing plans aimed at streamlining debt and corporate structure, the strategic and cost benefits deriving from the recent acquisition of Midas S.A. capital group and consistent deleveraging over the past year aimed at achieving the financial policy of target net leverage under 1.75x over the medium term.

Moody's also underscored Cyfrowy Polsat's capital group's strong market positions in Polish pay-TV and mobile telephony markets and its stable operations, supported by its integrated services offer smartDOM. Furthermore, the rating was positively influenced by a reduction in the Company's foreign exchange exposure, resulting from the completed process of refinancing indebtedness denominated in foreign currencies by debt denominated in Polish zloty, as well as good liquidity, supported by its solid free cash flow generation, an extended maturity profile and an undrawn PLN 1 billion Revolving Credit Facility.

4.3.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Combined Senior Facilities Agreement

In order to secure the repayment of claims under the Combined Senior Facilities Agreement the following encumbrances over assets of the Group have been established by the Company and other Group companies until the date of publication of this Report:

(i) registered pledges over variable collections of movable property and rights comprised in the enterprises of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Plus TM Management Sp. z o.o., Midas and Aero2, governed by Polish law;

(ii) financial and registered pledges on shares in Cyfrowy Polsat Trade Marks Sp. z o.o. (with an aggregate nominal value of PLN 615,445,000), Telewizja Polsat (with an aggregate nominal value of PLN 236,946,700), Polkomtel (with a total nominal value of PLN 3,525,300,000) and in Plus TM Management Sp. z o.o. (with a total nominal value of PLN 2,106,000), and Aero2 (with a total nominal value of PLN 113,200,000), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said companies; the pledged shares represent 100% of the share capital of each company and are held by the Company as a long-term capital investment;

(iii) financial pledges and registered pledges on Midas shares (with the nominal value of PLN 147,966,675), with powers of attorney to exercise corporate rights attached to the Company's shares; the shares so encumbered represent 100% of the total number of votes and share capital of Midas; the Company holds indirectly 100% of the total number of votes and share capital of Midas;

(iv) financial and registered pledges on receivables under bank account agreements of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Eileme 1, Eileme 2, Eileme 3, Eileme 4, Plus TM Management Sp. z o.o., Midas and Aero2, governed by Polish law;

(v) powers of attorney to bank accounts of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Eileme 1, Eileme 2, Eileme 3, Eileme, Plus TM Management Sp. z o.o., Dwa Sp. z o.o., Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością Sp. k., Polsat Media Biuro Reklamy Sp. z o.o., Interphone Service Sp. z o.o., Muzo.fm Sp. z o.o., Telewizja Polsat Holdings Sp. z o.o., Netshare Sp. z o.o., INFO-TV-FM Sp. z o.o., Polkomtel Business Development Sp. z o.o., Nordisk Polska Sp. z o.o., TM Rental Sp. z o.o., Liberty Poland S.A., Midas and Aero2, governed by Polish law;

(vi) ordinary and registered pledges on protection rights to trademarks vested in Polsat Brands (einfache Gesellschaft), governed by Polish law;

(vii) assignment for security of certain property rights in Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., governed by Polish law;

(viii) contractual joint mortgage under Polish law on the following real properties owned by the Company: (a) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00102149/9, (b) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00136943/2, (c) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00102615/7, (d) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00101039/8, (e) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00132063/1, (f) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00104992/7, (g) land located in

Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00100109/3, (h) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00103400/4, (i) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00100110/3, (j) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00131411/9;

(ix) contractual mortgage governed by Polish law on the land property owned by Polkomtel and located in Warsaw, Ursynów district, in the vicinity of Baletowa street, comprising plots of land no. 131/4 and 132/6, Land and Mortgage Register No. WA5M/00478842/7;

(x) assignment for security of receivables under hedge agreements of the Company and Polkomtel, governed by English law;

(xi) assignment for security of rights under insurance agreements covering the property referred to in item (i) and item (viii) above;

(xii) pledge on shares in Polsat License Ltd. (with an aggregate nominal value of CHF 1,000,000), governed by the Swiss law; the pledged shares represent 100% of the company's share capital and are held by the Company as a long-term capital investment;

(xiii) pledge on shares in Eileme 1 (with a total nominal value of SEK 500,000), governed by Swedish law; the pledged shares represent 100% of the share capital of the company and are held by the Company as a long-term capital investment;

(xiv) pledge on shares in Eileme 2 (with a total nominal value of SEK 500,000), governed by Swedish law; the pledged shares represent 100% of the share capital of the company and are held by the Company as a long-term capital investment;

(xv) pledge on shares in Eileme 3 (with a total nominal value of SEK 500,000), governed by Swedish law; the pledged shares represent 100% of the share capital of the company and are held by the Company as a long-term capital investment;

(xvi) pledge on shares in Eileme 4 (with a total nominal value of SEK 500,000), governed by Swedish law; the pledged shares represent 100% of the share capital of the company and are held by the Company as a long-term capital investment;

(xvii) pledge on shares in Metelem (with a total nominal value of EUR 2,212,325) and on shares in Litenite (with the total nominal value of EUR 1,800), governed by Cypriot law;

(xviii) assignment for security of: (a) receivables due from various debtors, (b) receivables and rights to and in bank accounts; and (c) rights under insurance agreements of Polsat License Ltd., governed by the Swiss law;

(xix) assignment for security of rights under a license agreement between Polsat Brands (einfache Gesellschaft) and Polsat License Ltd. and rights under bank account agreements, governed by the Swiss law;

(xx) charges over accounts of Metelem, governed by Cypriot law;

(xxi) assignment for security of receivables and rights to and in bank accounts of Metelem, governed by the Swiss law;

(xxii) pledge on interests and property rights in Polsat Brands (einfache Gesellschaft), governed by the Swiss law;

(xxiii) pledge on receivables under bank account agreements of Litenite governed by Swiss law;

(xxiv) statements of the Company, Cyfrowy Polsat Trade Marks sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel, Plus TM Management sp. z o.o., Midas and Aero2 on the submission to enforcement on the basis of a notarial deed, governed by Polish law; and

(xxv) statements of Litenite and Eileme 4 on the submission to enforcement on the basis of a notarial deed executed under the Polish law (concerning all property located in Poland or governed by Polish law).

5. Other significant information

5.1. Transactions concluded with related parties on conditions differing from market conditions

Transactions concluded in the nine-month period ended September 30, 2016 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 18 of the interim condensed consolidated financial statements for the nine months ended September 30, 2016.

5.2. Discussion of the difference of the Company's results to published forecasts

Cyfrowy Polsat had not published any financial forecasts.

5.3. Material proceedings at the court, arbitration body or public authorities

The Management of Cyfrowy Polsat believes that the provisions for litigations as at September 30, 2016 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer

On February 24, 2011 the President of UOKiK imposed penalty on Polkomtel in the amount of PLN 130.7 million for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court. According to management, during the inspection the Company had fully and at all times cooperated with UOKiK within the scope provided by the law. On June 18, 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4 million (i.e. EUR 1 million). On October 20, 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. In the management's opinion it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel, thus no provision was recognized.

On November 23, 2011 Polkomtel received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5 million. In management's opinion, no such agreement had been concluded between the parties. The company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty. Following SOKiK's verdict dated June 19, 2015 the penalty has been revoked in full. The verdict is non-binding. The President of UOKiK appealed against the verdict.

On December 27, 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK, Polkomtel was charged with a penalty in the amount of PLN 4.5 million. The company appealed to SOKiK against the decision. On October 15, 2014, SOKiK issued a decision where the penalty has been reduced to PLN 1.5 million. On February 10, 2016 SOKiK's decision has been revoked thus re-establishing the penalty back at PLN 4.5 million. On March 15, 2016 Polkomtel made a payment in the amount of PLN 1.8 million. The company is waiting for the reconsideration of the case by SOKiK.

On December 23, 2014, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8 million. The company appealed to SOKiK against the decision.

On December 30, 2014, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 million. The company appealed to SOKiK against the decision.

On December 15, 2014, Polkomtel received a claim from Orange for the total amount of PLN 21 million related to the actions allegedly contrary to the obligations arising under the agreement for the transfer of rights to radio frequencies. On January 13, 2015 the company filed an answer to the claim. Pursuant to the decision of the District Court in Warsaw the penalty has been lowered to PLN 9.0 million. Polkomtel appealed against the verdict. In the management's opinion the claim is groundless.

In September 2015, Polkomtel received a claim from P4, in which the company demands compensation of EUR 316 million (including interest of PLN 85 million), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Polska, Polkomtel and T-Mobile Polska.

The Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4. In the Management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 indicates neither nature (premises liability) nor the amount.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

5.4. Factors that may impact our results in at least the following quarter

5.4.1. Economic situation in Poland

Macroeconomic trends in the Polish economy and the economic situation on global markets have thus far affected the operations and operating results of Polsat Group, and are expected to continue affecting them in the future. The key factors affecting our operations, in particular the demand for advertising and the spending on our services, include GDP growth, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure incurred by enterprises.

Based on Eurostat data, a noticeable recovery of economies both of Poland and other EU countries took place in 2014 and 2015. GDP growth for Poland in 2014 and 2015 was 3.3% and 3.6%, respectively. Current forecasts, published by domestic and international institutions, regarding growth prospects of the Polish economy assume that the relatively high rate of growth of Poland's GDP will be sustained in 2016 and 2017 and that it will continue to outperform corresponding indices for the whole European Union.

We believe that average consumer spending, including spending on pay TV, mobile telephony, Internet access and bundle services generally will grow in line with the overall GDP growth in Poland, and will support our future revenue growth. We expect that the positive growth dynamics of GDP in the years 2016-2017 will also have a positive impact on the advertising expenditures in Poland.

Situation on the pay TV market in Poland

Our revenue from subscription fees is dependent upon the number of our customers and their loyalty, pricing of our services and the penetration rate of pay TV in Poland which we consider almost saturated.

The market on which we operate is very dynamic and competitive. Strong competition and the evolving market environment (including consolidation processes on the satellite and cable TV market) impact promotional offerings to our new customers. In addition, due to the heavy competition, we continuously invest in customer retention programs and loyalty building.

Currently, we consider our programming packages to offer the best value-for-money on the Polish DTH market. We believe that it gives us a chance to attract a significant portion of migrating customers to our platform. Moreover, we offer pay TV services as part of our integrated offer under the smartDOM program, which has a positive impact of the loyalization of our customer base and contributes to maintaining a relatively low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still small in Poland (according to data presented by PwC (*Global entertainment and media* *outlook: 2014-2019)*, its value was estimated at ca. 15.0 million USD in 2015, while in Great Britain and Germany at USD 790.8 million and USD 397.5 million, respectively) and in our opinion has significant growth prospects. We consequently develop our services which provide our customers with content on demand – our VOD rental service, the leading online television in Poland, IPLA, as well as our new service Cyfrowy Polsat GO. These products are complementary to our core business in the field of pay TV and allow us to broaden our content distribution channels.

Development of the advertising market in Poland

Part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising air-time is highly correlated with the macro-economic situation. ZenithOptimedia Media House forecasts that 2016 will be another year of growth on the advertising market and forecasts the growth of total TV advertising expenditure, net at the rate of 2.1%. Given that TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still a substantial growth potential for TV advertising in Poland in the long term, and the expected economic growth in 2016-2017 will positively influence the level of advertising expenditure in Poland. It is worth noticing, that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime, primarily thanks to new technical opportunities, which include an increasing number of HD channels and VOD, as well as thanks to a growing number of smart-TVs.

The Internet advertising market is characterized by dynamic growth. When assessing expenditure on online advertising in the first half of 2016, SMG Poland indicated that the main growth driver in this medium (8.6%) was the video segment whence we generate revenue. The share of this form of communication in online ad spending increased from 10.5% to 14.0% in the first half of 2016, which translates into a dynamics of close to 45% YoY. According to PwC forecasts *(Global entertainment and media outlook: 2014-2019)* the online video advertising in Poland will grow by 19.5% (CAGR) in the years 2014-2019. We believe that thanks to the leading position on the online video market (through IPLA internet television and the Cyfrowy Polsat GO service) we may benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

With the high penetration of the Polish market by pay TV, that provides viewers with increasingly greater selection of thematic channels, as well as a broader offer of channels available via digital terrestrial television (DTT), main general entertainment channels (FTA) have experienced a decline in audience share. What is more, SMG Poland (previously SMG Starlink) data suggests that the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience share and advertising market share, we focus on developing our thematic channels portfolio and increasing the attractiveness of the content offered to our viewers.

Fixed-mobile substitution and growth of mobile broadband Internet saturation

Substituting fixed services with their mobile counterparts is the universal trend on the telecommunication market. The number of fixed lines and revenues generated by fixed line operators has been gradually decreasing along with the growing penetration of mobile services. This phenomenon has been visible in the voice services area, but currently the fixed-mobile substitution is already visible in the area of broadband Internet access.

In Poland the fixed-mobile substitution has a larger scale than in most of the EU countries. Based on the UKE data, in 2015 the volume of voice traffic in fixed-line networks, which amounted to 9.2 billion minutes, was already almost 10 times lower than the volume of voice traffic in mobile networks (ca. 91.8 billion minutes).

At the same time the availability of fixed-line broadband services is limited mainly to urban areas. Outside urban areas, high-quality fixed-line broadband services are offered only to a limited extent, which is due to historical underinvestment resulting from the high cost of build-out of local loops (the so called "last mile").

High preference of Poles for mobile technology combined with improving quality of mobile data transmission as a result of the development of the LTE/LTE Advanced technology in our opinion create the opportunity for dynamic growth of the value of broadband Internet market in Poland in the next years, which we intend to utilize.

Growing demand for smartphones and data transmission

Popularity and sales of smartphones in Poland has been gradually growing. Currently, smartphones have almost completely replaced traditional handsets in our sales structure. Concurrently, we estimate that among all handsets used by our customers only slightly over 60% constitute smartphones. This disproportion shows that the smartphones' penetration among our mobile services customers will grow consistently in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. According to data presented in the Ericsson Mobility Report dated June 2016, the volume of transmitted data will increase thirteen fold in the years 2015-2021.

We expect that the growing popularity and technological advancement of smartphones offered by manufacturers, combined with improving quality parameters of data transmission services provided in our mobile network and constantly extending offer of application and contents available for customers resulted in the growing demand for data transmission services.

Seasonality of advertising market

Our advertising revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to the increased consumer spending during the Christmas season. In the year ended December 31, 2015, TV Polsat Group generated approximately 21.2% of advertising revenue in the first quarter, 27.1% in the second quarter, 21.3% in the third quarter and 30.4% in the fourth quarter.

Seasonality of the telecommunication market

Although our telecommunication business is not subject to significant seasonal effects, revenue from mobile telephony tends to increase during the summer period due to increased usage of roaming services by customers travelling abroad. In the first quarter of the year revenue from mobile telephony tends to be slightly lower compared to other quarters as a result of the fewer number of calendar and business days in February.

The December holiday period also has an impact on the costs level as a result of the seasonal growth in customer contract acquisition and retention transactions as well as an increase in our sales and marketing efforts resulting in higher costs of goods sold and external services costs, which typically lead to a seasonal decrease in EBITDA in the fourth quarter.

5.4.2. Factors related to the operations of the Group

Growing importance of integrated services

Growing interest in integrated services, observed among our customers base, provides us with a possibility to generate growth of average revenue per user. We carefully follow the evolution of expectations of our customers and strive to meet their growing needs by combining our pay TV, broadband Internet access and mobile television services into attractive packages, complementing them with products and services outside our core activity, such as financial and insurance services, electric energy supply or sale of household appliances.

The programs smartDOM (addressed to individual customers) and smartFIRMA (addressed to small businesses) allow our customers to combine in a flexible way products into packages, on which we offer attractive discounts. The program smartDOM, launched in 2014, yields excellent sales results. The possibility to sell additional products and services (cross-selling) to current customers of Cyfrowy Polsat and Plus network has a positive impact both on our revenue and the level of ARPU per contract client and in the future we expect positive effects of increased loyalty of customers, who use our integrated services.

We strive to meet the needs of our customers by offering to every basic service a broad range of complementary services. We combine our traditional pay TV services with VOD, PPV, Multiroom, online video services and mobile television. For Internet access and mobile telephony services we offer Value Added Services (VAS) - services including, among others, infotainment, location-based, financial and insurance services.

Proper utilization of the potential in the area of provision to our customers of integrated and value added services, both through up-selling of single products and value added services as well as through the sale of integrated offers, among others under the smartDOM program, may significantly increase the number of services per individual customer, thus increasing the average revenue per user (ARPU).

Providing Internet access services in LTE technology

We provide broadband Internet access services in numerous available mobile technologies, including mainly HSPA/HSPA+ and the latest LTE and LTE-Advanced technologies. Currently, LTE Internet has become the standard of mobile broadband Internet in Poland, successfully replacing the UMTS standard. Thanks to its technical characteristics and quality parameters, mobile LTE Internet often replaces fixed-line connections and satisfies increasingly demanding customers. In addition, it has the advantage of mobility, which is a significant feature for many consumers. We strongly believe that over the long term, as the necessary radio infrastructure and LTE-enabled devices develop, the LTE and LTE-Advanced technologies will revolutionize not only the broadband Internet market but also content distribution. The wide availability of our LTE Internet service and its superior quality confirmed by UKE research constitute a significant competitive advantage and help us to further increase our customer base both of stand-alone and integrated services.

We provide telecommunication services in the LTE technology based, among others, on frequencies and the network infrastructure of Midas Group, who is part of Polsat Group since February 29, 2016. On March 24, 2015, Midas Group launched the first commercial LTE 800 network in Poland. As at September 30, 2016 our network comprised 5,501 base stations in the HSPA+ technology and 8,251 base stations in the LTE technology. As a result as at the end of March 2016 96.8% of Poles lived within the coverage of LTE Internet service offered by Plus and Cyfrowy Polsat. According to data published by operators, this is the broadest LTE coverage currently offered in our country.

Development of the LTE technology

In light of extremely high price levels attained in the LTE auction, concluded in 2015, we decided that potential cooperation with entities, who won 800 MHz frequency blocks, would be financially inviable and irrational, both for the Group as well as for our customers. Therefore, we have decided to invest in further development of our LTE network based on frequencies currently owned and utilized by Polkomtel and Midas Group, comprising 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands.

We expect that the roll out of the LTE network based first and foremost on a continuous 20 MHz block in the 1800 MHz band, the densification of the network of base station locations, a clear increase in the number of active transmitters and the application of the unique ODU-IDU technology (Outdoor Unit Indoor Unit) will allow us to maintain our competitive advantage in terms of quality of our mobile Internet service. The planned process of refarming of the 900 MHz and 2100 MHz spectrum constitutes another important solution, in consequence of which part of the spectrum currently used to provide 2G and 3G services will be allocated to the cutting edge LTE and LTE-Advanced technologies. As a result, we expect to achieve further improvement of the quality of the Internet access service provided by us. Concurrently, the level of capital expenditures required to execute the planned roll out of our mobile network will be significantly lower compared to the cost of purchase of the 800 MHz spectrum in the LTE Auction. Ultimately, this may translate into more attractive services and prices for customers than in the case of a network rollout based on the 800 MHz frequency band.

We believe that this plan will allow us to maintain our competitive advantage consisting in the provision of data transmission services of the highest quality while avoiding the excessive, in our opinion, cost of purchasing or leasing frequencies in the 800 MHz spectrum.

Development of IPLA

IPLA, the leader on online video market, strengthens our position as aggregator and distributor of content and ensures an important competitive advantage. We continue to develop the service using our experience in sales of pay TV. Developing IPLA is a source of synergies in terms of costs and revenues. Costs synergies come from jointly executed content acquisition and investments in technology development, marketing activities, use of the same infrastructure as well as optimized use of back-office resources. Revenues synergies come from cross-selling and from increased attractiveness of current and new products introduced, that positively impact the customers' satisfaction level.

Mobile video traffic is the fastest growing segment of global mobile data traffic. According to estimates presented in Ericsson Mobility Report dated June 2016, mobile video traffic is expected to grow at an average annual rate of 55% between 2015 and 2021. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future.

Attractive content of our TV channels

We offer the biggest and most versatile portfolio of TV channels on the Polish market, which places us in the leading position in terms of audience among private television groups in Poland and translates into our share in the advertising market. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as solely created concepts. Moreover, we have contracts with major film studios, such as Sony Pictures Entertainment Inc., 20th Century Fox International Television, Inc., The Walt Disney Company, Warner Bros International TV Distribution or Monolith Films Sp. z o.o., which provide access to a wide selection of the most attractive films and series.

We also offer a wide selection of sports transmissions, including FIFA World Championships 2018 and 2022, as well as UEFA EURO 2020 qualifying stages, attractive games and big volleyball tournaments – 2017 European Volleyball Championships (the men's tournament will be held in Poland), the Volleyball World League, Volleyball World Grand Prix, and the Volleyball Champions League – Men and Women, Plus Liga and Orlen Liga; boxing and mixed martial arts galas, Wimbledon and ATP 1000 and 500 tournaments, and many others. We believe that attractive content, including such content that is not available in the offer of other pay TV operators is a significant competitive advantage over other pay TV operators in Poland.

5.4.3. Factors related to the regulatory environment

International roaming in mobile networks

The level of wholesale and retail roaming rates for voice services (reception and execution of voice connections), short text messages, MMS and data transmission on the territory of the European Economic Area (EEA) is subject to regulations.

Pursuant to the Resolution of the European Parliament and Council of November 25, 2015 retail charges for regulated roaming services are to be levelled with domestic charges starting from June 15, 2017 (the "Roam like at home" concept).

As an interim solution, a rule was introduced stating that as of April 30, 2016 charges for regulated roaming services cannot exceed the domestic price increased by an addition roaming fee, whereby the sum of the domestic price and the additional roaming fee cannot exceed a specified level. The maximum additional roaming fees allowed during the transition period, excluding domestic prices, are equal to:

- 5 euro cents per 1MB of data transfer,
- 5 euro cents per minute in the case of outgoing voice calls,
- the average European MTR rate (1.14 euro cent) in the case on incoming voice calls,
- 2 euro cents per short text message.

Additionally, the maximum retail price levels, including the domestic price, remain in force. These levels are presented in the table below.

	Maximum retail prices (excluding VAT)		Maximum average wholesale prices (settlements between operators)
	until April 29, 2016	from April 29, 2016	from July 1, 2014 to present
Data transmission (1 MB)	20 euro cents	20 euro cents	5 euro cents
Outbound voice calls (minute)	19 euro cents	19 euro cents	5 euro cents
Inbound voice calls (minute)	5 euro cents	1.14 euro cents	n/a
SMS (1 SMS)	6 euro cents	6 euro cents	2 euro cents

In accordance with the above regulations, as of April 30, 2016 we have introduced changes in retail roaming prices for our customers, where level of retail charges applicable to domestic calls, which constitutes the basis for calculating the final charge for roaming services for retail customers, was specified based on individual pricelists dedicated to particular telecommunication tariffs. Hence, the level of reductions, from which our customers profit as of April 30, 2016, is diversified.

The implementation of the *Roam like at Home* concept on June 15, 2017 in line with the Regulation depends on the revision of wholesale charges for roaming services. The proposed levels of these charges are currently being consulted. Concurrently, the European Commission is working on the concept of a *Fair Usage Policy*, which would protect the interests of operators in individual member states after the implementation of the *Roam like at home* rule. Additionally, according to European Commission declarations, there is a possibility to release individual operators from the obligation of levelling retail roaming charges with domestic charges by introducing a mechanism of supplementary payments to domestic prices in order to cover losses, if the given operator can prove that he would not be able to cover incurred costs related to the provision of roaming services. The European Commission also began the re-analysis of the European market of mobile termination rates (MTR), which indirectly influences the maximum admissible level of retail rates for incoming calls in roaming.

Detailed regulations regarding the above issues are to be presented at the turn of 2016 and 2017.

Reservations of spectrum in the 800 MHz band

As a result of the termination in 2015 of the LTE auction of 5 blocks in the 800 MHz band and 14 blocks in the 2600 MHz block, Polsat Group's competitors gained the possibility to provide high quality services in LTE based on frequencies in the 800 MHz band. Our competitors are rolling-out their mobile networks based on the 800 MHz spectrum, thus consistently increasing the coverage of their respective networks. It is possible that certain telecommunication operators will enter into cooperation in the scope of network sharing, which may have a significant effect on the shape of the Polish telecoms market in the foreseeable future. Concurrently, it cannot be unequivocally predicted, whether high costs of financing the purchase of the 800 MHz spectrum incurred by our competitors will be reflected in their pricing policies related to mobile services.

It must be emphasized that legal proceedings in connection with the modification of the rules ending the auction while the auction process was in progress cannot be excluded. This may be due to strong protests of the majority of parties participating in the auction, supported by numerous opinions of recognized constitutionalists as well as experts and analysts of the telecoms market, all of which agree that the solution introduced by the ministry of administration and digitization is unconstitutional. There is a risk that legal proceedings may lead to challenging the results of the auction, announced by UKE.

Registration of prepaid SIM cards

Until recently the anonymous use of prepaid mobile services in Poland was possible, i.e. the user was not obligated to provide any personal data. In accordance with the provisions of the Anti-terrorist Act of July 10, 2016, existing prepaid SIM users have been obligated to provide their personal data to their telecom operators until February 1, 2017 at the latest. Concurrently, telecommunication operators have been obligated to properly verify the provided personal data. Operators have been obligated to discontinue the provision of services for those SIM cards, which will not be properly registered by the indicated deadline. In addition, from July 25, 2016 telecommunication operators may start the provision of services for the newly sold prepaid SIM's only after their registration.

As a result of the implementation of the regulations stemming from the anti-terrorist act, a remodeling of Polish mobile market can be expected, in particular a reduction of the volume of sales of prepaid SIM's with the simultaneous extension of the average period of activity of registered SIM's, as well as a reduction of prepaid customer bases reported by respective operators (due to the elimination of the so-called "dead souls"). Thus the size and the mobile penetration figures for the Polish market will become more realistic. At the same time, a certain number of prepaid services customers, who visit points of customer service in order to register their prepaid SIM cards, decide to enter into postpaid contracts with their operators, which may have a positive impact on the size of our contract base in the coming quarters.

5.4.4. Financial factors

Exchange rates fluctuations

Zloty (PLN) is our functional and reporting currency. Our revenue is primarily denominated in PLN, whereas a portion of our expenses and capital expenditures is denominated in foreign currencies.

Foreign exchange rate fluctuations have historically affected the level of our operating costs, finance costs, as well as the profit or loss on investing activities, and are expected to do so in the future. In particular, our exposure to foreign exchange rate fluctuations stems from our foreign currency payments for:

(i) licensing fees paid to TV broadcasters;
(ii) signal transmission-related charges;
(iii) access to the offering of leading film and TV studios, and of other programming suppliers and producers, including sports federations;
(iv) set-top box parts, and other hardware and software;
(v) transponder capacity lease;
(vi) telecommunication equipment for mobile telephony customers;
(vii) UMTS license fees;
(viii) telecommunication network equipment;
(ix) selected leases of land for telecommunication network sites;
(x) selected office building lease agreements;
(xi) international roaming and interconnect agreements; and
(xii) other trade obligations.

We have no control over how exchange rates will change in the future, and consequently foreign exchange rate fluctuations will continue to affect (positively or negatively) our operations and financial results. Considering our open exposure to the currency exchange risk, the Group has in place a market risk management policy and uses, inter alia, natural hedging and hedging transactions.

Refinancing of the Group's debt

On September 21, 2015, Polsat Group entered into a facility agreement with a consortium of Polish and foreign financial institutions comprising a term facility of up to PLN 11.5 billion and a revolving facility of up to PLN 1.0 billion, which, together with the Series A Bonds with the total nominal value of PLN 1.0 billion, issued in July 2015, was used to refinance the entire indebtedness of the Group.

The new debt financing structure of the Group is characterized by better financial terms and guarantees greater flexibility of current operational and investing activities of the Group. As a result of the refinancing process we expect annual interest savings of ca. PLN 400 million which significantly increases the potential for generating free cash flows.

The Combined SFA has built-in mechanisms of bank margin reduction parallel to the decrease in the net debt to EBITDA ratio, which means that by generating cash from operating and investing activities and by maintaining a high level of EBITDA we are able to decrease interest costs and payments.

Furthermore, the Combined SFA and the Series A Bonds are based on a floating market interest rate, therefore fluctuations of interest rates in Poland will have an effect on value of current debt costs. Taking into account our open exposition to interest rate fluctuations, the Group actively uses hedging transaction in order to limit this risk.

Tobias Solorz
President of the Management Board

Katarzyna Ostap-Tomann
Member of the Management Board

Dariusz Działkowski
Member of the Management Board

Tomasz Gillner-Gorywoda
Member of the Management Board

Aneta Jaskólska
Member of the Management Board

Agnieszka Odorowicz
Member of the Management Board

Maciej Stec
Member of the Management Board

Warsaw, November 8, 2016

GLOSSARY

Capitalised terms used herein and not defined in this Report shall have the meaning assigned to them below, unless the context requires otherwise.

Glossary of general terms

Term	Definition
Aero2	Aero2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Midas.
AltaLog	AltaLog spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000493305, subsidiary of Midas.
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
ATS, WSE ATS	Alternative system of trading in debt instruments organized by the WSE within the Catalyst market.
ATS Rules	Alternative Trading System Rules governing the alternative trading system organized by the WSE, adopted by resolution no. 147/2007 of the management board of the WSE on March 1, 2007, as amended.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Bonds, Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/02/07/2015 dated July 2, 2015.
Bonds Terms	Terms and conditions of Bonds issuance together with the supplement
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Combined SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of September 21, 2020.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of September 21, 2020.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
Cyfrowy Polsat Trade Marks, CPTM	Cyfrowy Polsat Trade Marks spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000373011.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668.
Eileme 2	Eileme 2 AB (publ), a company under Swedish law, registered under No. 556854-5676.
Eileme 3	Eileme 3 AB (publ), a company under Swedish law, registered under No. 556854-5692.
Eileme 4	Eileme 4 AB (publ), a company under Swedish law, registered under No. 556854-5684.
Embud	Embud spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000165473.
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.

Term	Definition
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
Litenite	Litenite Limited, a company under Cypriot law, registered under No. 240249.
Litenite Notes	Zero-coupon unsecured loan notes 2022 with the total nominal value of PLN 1,524.4 million and the issue price of PLN 782.0 million issued pursuant to the resolution of the management board of Litenite of December 31, 2015.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel.
Metelem Group	Metelem jointly with the following companies: Eileme 1, Eileme 2, Eileme 3, Eileme 4, Polkomtel, Nordisk Polska Sp. z o.o., , Liberty Poland S.A., Polkomtel Finance AB (publ), Polkomtel Business Development Sp. z o.o., TM Rental, LTE Holdings, Plus TM Management. On February 29, 2016, Litenite Ltd., Midas, Aero2, Sferia and AtlaLog joined Metelem Group.
Midas	Midas spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000025704.
Midas Group	Midas and its indirect and direct subsidiaries - Aero2, Sferia and Altalog.
Midas Notes	Zero-coupon, dematerialized, secured series A bearer notes with the nominal value of PLN 1,000.0 each and the total nominal value of PLN 583.7 million issued pursuant to the resolution of the management board of Midas of March 6, 2013, amended by the resolution of March 28, 2013.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
NDS	National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych, KDPW*).
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207.
PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 21, 2020.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PLK Senior Notes	Unsubordinated senior notes with a total nominal amount of EUR 542.5 million and USD 500.0 million, maturing in 2020, issued by Eileme 2.
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 21, 2020.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 378997.

Term	Definition
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Business Development	Polkomtel Business Development spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 377416.
Polkomtel Finance	Polkomtel Finance AB (publ), a company under Swedish law, registered under No. 556807-4594. Company put under liquidation.
Polkomtel Group	Polkomtel jointly with the following companies: Nordisk Polska Sp. z o.o., Liberty Poland S.A., Polkomtel Finance, Polkomtel Business Development, TM Rental, LTE Holdings, Plus TM Management. On February 29, 2016, Litenite Ltd., Midas, Aero2, Sferia and AtlaLog joined Polkomtel Group.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Polskie Media	Polskie Media Spółka Akcyjna, previously entered in the register of entrepreneurs of the National Court Register under entry No. 0000049216. On December 31, 2013 Polskie Media merged with Telewizja Polsat.
Refinanced CP Senior Facilities Agreement	The Senior Facilities Agreement of April 11, 2014 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media, and a syndicate of Polish and foreign banks, covering the CP Term Loan and the CP Revolving Facility Loan. Refinanced in full on September 21, 2015.
Refinanced CP Term Loan	The term facility loan of up to PLN 2,500 million, issued under the Refinanced CP Senior Facilities Agreement, with maturity on April 11, 2019. Refinanced in full on September 21, 2015.
Refinanced PLK Senior Facilities Agreement	The Senior Facilities Agreement of June 17, 2013 between Eileme 2, Eileme 3, Eileme 4, Polkomtel and subsidiaries, and a syndicate of banks. Refinanced in full on September 21, 2015.
Refinanced PLK Term Loans	The Term Facility Loans A, B and C issued under the Refinanced PLK Senior Facilities Agreement of up to PLN 2.65 billion, PLN 3.3 billion and PLN 1.7 billion with maturity dates falling in years 2017, 2018 and 2019, respectively. Refinanced in full on September 21, 2015.
Sensor	Sensor Overseas Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
TiVi Foundation	TiVi Foundation, a family foundation of Kirchstrasse 12, 9490 Vaduz, Liechtenstein.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
TM Rental	TM Rental spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 567976.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to SMG Poland (previously SMG Starlink).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
CDMA	A family of mobile telecommunications standards developed by the 3rd Generation Partnership Project 2, comprising e.g. CDMAOne and CDMA2000. CDMA is mainly used for data transmission services in rural areas. Its maximum transmission speed is 3.1 MB/s. CDMA also supports direct communication between user terminals and restriction of access to selected devices, and the technology is therefore used for digital trunked communications.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue)
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer, contract customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
DVR	Set-top boxes equipped with a hard drive enabling the recording of TV programs (Digital Video Recorder)
EDGE	Cellular telecommunications technology supporting faster data transmission as a backward-compatible extension of the 2G network. EDGE increases the capacity of the radio interface and ensures more convenient use of data transmission services. Its maximum design speed is nearly 1 Mb/s (Enhanced Data rates for GSM Evolution).

Term	Definition
ERP	A family of IT systems supporting enterprise management or shared operation of a group of collaborating enterprises through data collection and enabling transactions on the collected data (enterprise resource planning).
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GPRS	Mobile data transmission service for GSM users (General Packet Radio Service).
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
IVR	A telecommunications system enabling human-computer interaction using voice or tone signals (Interactive Voice Response).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mb/s (downlink, using MIMO 2x2 antennas).
LTE-Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gb/s (downlink, using MIMO 4x4 antennas).
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology;
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on two television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
Node B	A device for wireless connection between a mobile terminal and a fixed part of the third-generation telecommunications network.
PPV	Services providing paid access to selected TV content (pay-per-view).
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue)

Term	Definition
PVR	Electronic commodity hardware for digital recording of TV programs on its hard drive (Personal Video Recorder).
real users	An estimated number of persons who visit a website or open an Internet application at least once in a given month (Real Users).
RGU (Revenue Generating Unit)	Single, active service of pay TV, Internet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kb/s (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 9 months ended 30 September 2016

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

Table of contents

APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 8 November 2016, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period	
from 1 January 2016 to 30 September 2016 showing a net profit for the period of:	PLN 679.2
Interim Consolidated Statement of Comprehensive Income for the period	
from 1 January 2016 to 30 September 2016 showing a total comprehensive income for the period of:	PLN 685.1
Interim Consolidated Balance Sheet as at	
30 September 2016 showing total assets and total equity and liabilities of:	PLN 27,493.1
Interim Consolidated Cash Flow Statement for the period	
from 1 January 2016 to 30 September 2016 showing a net decrease in cash and cash equivalents amounting to:	PLN 411.4
Interim Consolidated Statement of Changes in Equity for the period	
from 1 January 2016 to 30 September 2016 showing an increase in equity of:	PLN 783.4

Notes to the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been prepared in million of Polish zloty ('PLN') except where otherwise indicated.

Tobias Solorz	Dariusz Działkowski	Tomasz Gillner-Gorywoda	Aneta Jaskólska
President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Agnieszka Odorowicz	Katarzyna Ostap-Tomann	Maciej Stec
Member of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, 8 November 2016

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Consolidated Income Statement

		for the 3 months ended		for the 9 months ended	
	Note	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Continuing operations					
Revenue	8	2,387.8	2,414.9	7,194.7	7,213.1
Operating costs	9	(1,938.7)	(1,900.1)	(5,928.7)	(5,708.6)
Other operating income, net		-	14.4	13.4	36.9
Profit from operating activities		**449.1**	**529.2**	**1,279.4**	**1,541.4**
Gain/loss on investment activities, net	10	13.1	(5.2)	(43.5)	11.8
Finance costs	11	(127.3)	88.8	(443.2)	(394.6)
Share of the profit of jointly controlled entity accounted for using the equity method		-	0.5	-	1.9
Gross profit for the period		**334.9**	**613.3**	**792.7**	**1,160.5**
Income tax		(65.1)	(110.8)	(113.5)	(182.7)
Net profit for the period		**269.8**	**502.5**	**679.2**	**977.8**
Net profit attributable to equity holders of the Parent		278.2	502.5	691.4	977.8
Net loss attributable to non-controlling interest		(8.4)	-	(12.2)	-
Basic and diluted earnings per share (in PLN)		**0.42**	**0.79**	**1.06**	**1.53**

Interim Consolidated Statement of Comprehensive Income

		for the 3 months ended		for the 9 months ended	
	Note	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Net profit for the period		**269.8**	**502.5**	**679.2**	**977.8**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	13	2.6	(0.5)	7.3	4.8
Income tax relating to hedge valuation	13	(0.5)	0.2	(1.4)	(0.8)
Items that may be reclassified subsequently to profit or loss		**2.1**	**(0.3)**	**5.9**	**4.0**
Other comprehensive income, net of tax		**2.1**	**(0.3)**	**5.9**	**4.0**
Total comprehensive income for the period		**271.9**	**502.2**	**685.1**	**981.8**
Total comprehensive income attributable to equity holders of the Parent		280.3	502.2	697.3	981.8
Total comprehensive income attributable to non-controlling interest		(8.4)	-	(12.2)	-

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Consolidated Balance Sheet - Assets

	Note	30 September 2016 unaudited	31 December 2015
Reception equipment		350.4	371.0
Other property, plant and equipment		2,882.8	2,548.6
Goodwill	16	10,975.3	10,606.4
Customer relationships		3,184.2	3,638.5
Brands		2,062.5	2,080.6
Other intangible assets		3,769.5	2,422.2
Non-current programming assets		125.6	145.0
Investment property		5.2	5.2
Non-current deferred distribution fees		80.4	83.3
Other non-current assets		373.3	272.8
includes derivative instruments assets		*3.5*	*6.9*
Deferred tax assets		238.4	87.6
Total non-current assets		**24,047.6**	**22,261.2**
Current programming assets		219.1	192.2
Inventories		281.0	281.0
Trade and other receivables		1,571.8	1,619.1
Income tax receivable		0.9	0.7
Current deferred distribution fees		207.6	212.7
Other current assets		54.9	399.5
includes derivative instruments assets		*4.8*	*10.5*
Cash and cash equivalents		1,099.4	1,512.0
Restricted cash		10.8	11.7
Total current assets		**3,445.5**	**4,228.9**
Total assets		**27,493.1**	**26,490.1**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 September 2016 unaudited	31 December 2015
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Other reserves		2.2	(3.7)
Retained earnings		3,745.6	3,054.2
Equity attributable to equity holders of the Parent		**10,947.4**	**10,250.1**
Non-controlling interests		**86.1**	**-**
Total equity		**11,033.5**	**10,250.1**
Loans and borrowings	14	9,530.3	5,379.8
Issued bonds	15	1,805.1	975.3
Finance lease liabilities		22.1	20.9
UMTS license liabilities		555.8	652.8
Deferred tax liabilities		923.2	615.8
Deferred income		20.1	4.7
Other non-current liabilities and provisions		148.2	124.2
Total non-current liabilities		**13,004.8**	**7,773.5**
Loans and borrowings	14	1,269.4	1,230.9
Issued bonds	15	41.9	4,776.7
Finance lease liabilities		4.9	4.3
UMTS license liabilities		117.7	117.0
Trade and other payables		1,338.1	1,485.4
includes derivative instruments liabilities		*1.8*	*72.9*
Income tax liability		22.0	176.1
Deferred income		660.8	676.1
Total current liabilities		**3,454.8**	**8,466.5**
Total liabilities		**16,459.6**	**16,240.0**
Total equity and liabilities		**27,493.1**	**26,490.1**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Consolidated Cash Flow Statement

	Note	for the 9 months ended 30 September 2016 unaudited	for the 9 months ended 30 September 2015 unaudited
Net profit		**679.2**	**977.8**
Adjustments for:		**1,678.3**	**1,195.7**
Depreciation, amortization, impairment and liquidation	9	1,459.1	1,262.6
Payments for film licenses and sports rights		(189.6)	(195.4)
Amortization of film licenses and sports rights		173.5	149.9
Interest expense		417.4	581.3
Change in inventories		0.7	43.3
Change in receivables and other assets		(164.6)	(349.3)
Change in liabilities, provisions and deferred income		(141.3)	(184.3)
Change in internal production and advance payments		(5.6)	(17.7)
Valuation of hedging instruments		7.3	4.8
Foreign exchange losses, net		258.3	135.8
Income tax		113.5	182.7
Net additions of reception equipment provided under operating lease		(111.0)	(96.7)
Net (gain)/loss on derivatives		(161.9)	37.6
Cumulative catch-up and early redemption costs		-	(371.4)
Other adjustments		22.5	12.5
Cash from operating activities		**2,357.5**	**2,173.5**
Income tax paid		(236.1)	(94.2)
Interest received from operating activities		19.5	30.5
Net cash from operating activities		**2,140.9**	**2,109.8**
Acquisition of property, plant and equipment		(301.2)	(323.2)
Acquisition of intangible assets		(94.6)	(111.1)
Acquisition of bonds		(323.6)	-
Concession payments		(268.5)	(118.7)
Acquisition of subsidiaries, net of cash acquired	16	(144.4)	(29.5)
Proceeds from sale of property, plant and equipment		6.3	15.1
Granted loans		(10.5)	(12.1)
Other investing activities – derivatives		(3.5)	3.2
Other inflows		1.2	-
Net cash used in investing activities		**(1,138.8)**	**(576.3)**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Loans and borrowings inflows	14	5,500.0	6,820.0
Bonds (redemption)/issue	15	(4,483.8)	1,000.0
Repayment of loans and borrowings	14	(1,706.9)	(9,222.2)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(631.7)	(804.1)
Early redemption fee	15	(262.1)	-
Hedging instrument effect – principal		175.4	-
Other outflows		(4.4)	(4.5)
Net cash used in financing activities		**(1,413.5)**	**(2,210.8)**
Net decrease in cash and cash equivalents		**(411.4)**	**(677.3)**
Cash and cash equivalents at the beginning of the period		**1,523.7********	**1,747.9****
Effect of exchange rate fluctuations on cash and cash equivalents		(2.1)	1.4
Cash and cash equivalents at the end of the period		**1,110.2***********	**1,072.0******

* Includes impact of hedging instruments
** Includes restricted cash amounting to PLN 12.6
*** Includes restricted cash amounting to PLN 12.4
**** Includes restricted cash amounting to PLN 11.7
***** Includes restricted cash amounting to PLN 10.8

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Consolidated Statement of Changes in Equity for the 9 months ended 30 September 2016

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 1 January 2016	**25.6**	**7,174.0**	**(3.7)**	**3,054.2**	**10,250.1**	**-**	**10,250.1**
Acquisition of Litenite	-	-	-	-	-	98.3	**98.3**
Total comprehensive income	-	-	5.9	691.4	697.3	(12.2)	**685.1**
Hedge valuation reserve	-	-	*5.9*	-	*5.9*	-	***5.9***
Net profit for the period	-	-	-	*691.4*	*691.4*	*(12.2)*	**679.2**
Balance as at 30 September 2016 unaudited	**25.6**	**7,174.0**	**2.2**	**3,745.6**	**10,947.4**	**86.1**	**11,033.5**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Interim Consolidated Statement of Changes in Equity for the 9 months ended 30 September 2015

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	Total equity
Balance as at 1 January 2015 restated	**25.6**	**7,174.0**	**(12.2)**	**1,890.8**	**9,078.2**	**-**	**9,078.2**
Total comprehensive income	-	-	4.0	977.8	981.8	-	**981.8**
Hedge valuation reserve	-	-	*4.0*	-	*4.0*	-	***4.0***
Net profit for the period	-	-	-	*977.8*	*977.8*	-	***977.8***
Balance as at 30 September 2015 unaudited	**25.6**	**7,174.0**	**(8.2)**	**2,868.6**	**10,060.0**	**-**	**10,060.0**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat', 'the Parent Company', 'the Parent') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Parent Company's registered office is located at 4a, Łubinowa Street in Warsaw.

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The consolidated financial statements comprise the Parent and its subsidiaries ('the Group') and joint ventures. The Group operates in two segments: (1) services to individual and business customers which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) broadcasting and television production which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

- Tobias Solorz	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Tomasz Gillner-Gorywoda	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Agnieszka Odorowicz	Member of the Management Board (from 1 March 2016),
- Katarzyna Ostap-Tomann	Member of the Management Board (from 1 October 2016),
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board (to 30 September 2016).

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz	President of the Supervisory Board (to 30 September 2016),
- Marek Kapuściński	President of the Supervisory Board (from 25 October 2016), Member of the Supervisory Board (from 1 October 2016 to 24 October 2016),
- Józef Birka	Member of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board (from 1 October 2016).

4. Basis of preparation of the interim condensed consolidated financial statements

Statement of compliance

These interim condensed consolidated financial statements for the 9 months ended 30 September 2016 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The Group applied the same accounting policies in the preparation of the financial data for the 9 months ended 30 September 2016 and the consolidated financial statements for the year 2015, presented in the consolidated annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2016. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2016 do not have a material impact on these interim condensed consolidated financial statements.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

5. Group structure

These interim condensed consolidated financial statements for the 9 months ended 30 September 2016 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 September 2016**	**31 December 2015**
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	non-current assets and intellectual property rights management	100%	100%
Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) [(a)]	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	-	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
Nord License AS	Vollsvseien 13B Lysaker Norway	trade of programming licences	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	holding activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	other sport relating activities (dormant)	100%	100%

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 September 2016**	**31 December 2015**
Subsidiaries accounted for using full method (cont.)				
Polsat Brands (einfache Gesellschaft)	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	television broadcasting	100%	100%
Muzo.fm Sp. z o.o. (formerly Radio PIN S.A.)	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
Gery.pl Sp. z o.o. [(b)]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	web portals activities	-	100%
Netshare Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	electronic media (Internet) advertising broker	100%	100%
Metelem Holding Company Limited	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol Cyprus	holding and financial activities	100%	100%
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 4 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding activities	100%	100%

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2016	31 December 2015
Subsidiaries accounted for using full method (cont.)				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ) (in liquidation)	Norrlandsgatan 18 111 43 Stockholm Sweden	financial activities	100%	100%
Liberty Poland S.A.	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Plus TM Management Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights management and rental	100%	100%
LTE Holdings Limited	Kostaki Pantelidi 1 1010, Nicosia Cyprus	holding activities	100%	100%
TM Rental Sp. z o.o. (formerly Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna)	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	100%	100%
IT Polpager S.A.[(c)]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	maintenance of telco network	100%	-
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

	Entity's registered office	Activity	Share in voting rights (%) 30 September 2016	31 December 2015
Subsidiaries accounted for using full method (cont.)				
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	premium rate services	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	*	*
Grab Sarl	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	100%
Grab Investment SCSp	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	100%	100%
Litenite Ltd. (d)	Kostaki Pantelidi 1 1010, Nikozja Cypr	holding activities	100%	49%**
Midas S.A. (d)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	-
Aero 2 Sp. z o.o.(d)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	-
Sferia S.A. (d)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	-
Altalog Sp. z o.o. (d)	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	-

* Cyfrowy Polsat S.A. indirectly holds 100% of certificates.

** Due to restriction related to a dividend and construction of the transactions related to the acquisition, investment in Litenite Limited was accounted for as an investments in associates without equity pick-up as at 31 December 2015

(a) Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) was disposed of on 4 January 2016

(b) On 30 June 2016 Netshare Sp. z o.o. merged with Gery.pl Sp. z o.o.

(c) Company consolidated from 30 September 2016 following acquisition of 100% shares (see note 16)

(d) Companies consolidated from 29 February 2016 following acquisition of 100% shares of Litenite (see note 16)

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Investments accounted for under the equity method:

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2016	31 December 2015
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18, 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%
Paszport Korzyści Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	maintenance of loyalty programs	49%	49%

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 9 months ended 30 September 2016

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2016	31 December 2015
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25E lok. 216, 10-686 Olsztyn	infrastructure projects advisory	6.55%**	-

* Investment accounted for at cost less any accumulated impairment losses

** Altalog Sp. z o.o. holds 9.918% share in voting rights in InPlus Sp. z o.o.

6. Approval of the Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 8 November 2016.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

7. Information on seasonality in the Group's operations

Wholesale revenue includes *inter alia* advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer.

Within retail revenue category mobile revenue is a subject to slight fluctuations during the year. This revenue stream tends to increase during the summer period (caused by increased usage of roaming services). On the other hand mobile revenue tends to decrease in the first quarter of each year due to fewer number of calendar and business days.

8. Revenue

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	**30 September 2015 unaudited**	**30 September 2016 unaudited**	**30 September 2015 unaudited**
Retail revenue	1,583.7	1,643.3	4,736.3	4,932.5
Wholesale revenue	562.9	616.9	1,807.7	1,858.9
Sale of equipment	221.3	131.2	585.2	356.5
Other revenue	19.9	23.5	65.5	65.2
Total	**2,387.8**	**2,414.9**	**7,194.7**	**7,213.1**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

9. Operating costs

		for the 3 months ended		for the 9 months ended	
	Note	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Technical costs and cost of settlements with telecommunication operators		459.2	551.2	1,466.1	1,555.9
Depreciation, amortization, impairment and liquidation		507.9	401.2	1,459.1	1,262.6
Cost of equipment sold		330.5	314.9	974.6	939.2
Content costs		252.1	257.3	816.9	766.8
Distribution, marketing, customer relation management and retention costs		202.6	200.1	605.3	582.5
Salaries and employee-related costs	a	130.5	122.3	406.6	392.2
Cost of debt collection services and bad debt allowance and receivables written off		5.7	8.5	31.6	55.0
Other costs		50.2	44.6	168.5	154.4
Total		**1,938.7**	**1,900.1**	**5,928.7**	**5,708.6**

a) Salaries and employee-related costs

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Salaries	110.7	103.3	341.2	328.0
Social security contributions	16.2	14.7	54.9	53.3
Other employee-related costs	3.6	4.3	10.5	10.9
Total	**130.5**	**122.3**	**406.6**	**392.2**

10. Gain/(loss) on investment activities, net

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Interest, net	8.2	7.6	23.0	25.2
Other foreign exchange gains/(losses), net	11.8	(6.8)	(45.0)	4.5
Other costs	(6.9)	(6.0)	(21.5)	(17.9)
Total	**13.1**	**(5.2)**	**(43.5)**	**11.8**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

11. Finance costs

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Interest expense on loans and borrowings	102.1	142.4	304.4	331.7
Interest expense on issued bonds	30.5	97.8	113.7	273.4
Early redemption costs	-	244.8	-	244.8
Cumulative catch-up	-	(616.2)	-	(616.2)
Foreign exchange differences on issued bonds	-	26.5	244.8	141.9
Valuation and realization of hedging instruments	1.7	2.1	5.6	5.7
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(7.2)	5.3	(16.1)	(4.3)
Valuation and realization of derivatives not used in hedge accounting – relating to principal	-	-	(203.8)	-
Other	0.2	8.5	(5.4)	17.6
Total	**127.3**	**(88.8)**	**443.2**	**394.6**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 September 2016 and 31 December 2015:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The shareholders' structure as at 30 September 2016 and 31 December 2015 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Entity is controlled by Mr. Zygmunt Solorz
[2] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz
[3] Sensor Overseas Ltd. is controlled by EVO Foundation

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2016	2015
Balance as at 1 January	**(6.7)**	**(12.2)**
Valuation of cash flow hedges	7.3	4.8
Deferred tax	(1.4)	(0.8)
Change for the period	**5.9**	**4.0**
Balance as at 30 September unaudited	**(0.8)**	**(8.2)**

In 2014 in connection with new credit facilities hedging relationship was designated. It was maintained and attached to 2015-incurred credit facilities.

14. Loans and borrowings

Loans and borrowings	30 September 2016 unaudited	31 December 2015
Short-term liabilities	1,269.4	1,230.9
Long-term liabilities	9,530.3	5,379.8
Total	**10,799.7**	**6,610.7**

Change in loans and borrowings liabilities:

	2016	2015
Loans and borrowings as at 1 January	**6,610.7**	**9,006.1**
Loans and borrowings on acquisition of Litenite (see note 16)	378.7	-
Loans and borrowings on acquisition of Orsen as at 1 April 2015	-	22.2
Facilities agreement	4,800.0	6,700.0
Revolving facility loan	700.0	120.0
Repayment of capital	(1,706.9)	(9,222.2)
Repayment of interest and commissions	(287.2)	(256.4)
Interest accrued	304.4	238.9
Loans and borrowings as at 30 September unaudited	**10,799.7**	**6,608.6**

Amendment, Restatement and Consolidation Deed executed between the parties to the CP Facilities Agreement, PLK Facilities Agreement and certain members of the Group

On 21 September 2015 the Amendment, Restatement and Consolidation Deed was concluded between the Company, Polkomtel Sp. z o.o., Telewizja Polsat Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ), Plus TM Management Sp. z o.o., TM Rental Sp. z o.o., Plus TM Group Sp. z o.o. and the consortium of Polish and foreign financing institutions (the “Amendment, Restatement and Consolidation Deed”).

According to the Amendment, Restatement and Consolidation Deed, upon repayment of the Senior Notes Indebtedness, the indebtedness under the PLK Facilities Agreement was refinanced using the funds made available under the CP Facilities Agreement, as amended in the Amendment, Restatement and Consolidation Deed. The Senior Notes Indebtedness were repaid 1 February 2016.

The Amendment, Restatement and Consolidation Deed amended the CP Facilities Agreement as follows:

i. the maximum amount of the CP Term Facility is PLN 11,500, and the maximum amount of the CP Revolving Facility is PLN 1,000;
ii. the Company and other Group members established additional collaterals for the facilities granted on this basis. These collaterals include, in particular, registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of certain members of the Group, registered and financial pledges on shares in the Group members, registered and financial pledges on receivables related to bank accounts kept for certain members of the Group, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares (interests) or assets of members of the Group, to be governed by foreign laws.

The Amendment, Restatement and Consolidation Deed is described in detail in Note 30 “Loans and borrowings” to the consolidated financial statements for the year ended 31 December 2015.

Completion of refinancing

On 26 January 2016, Polkomtel (an indirect subsidiary of the Company) increased utilization of the PLN facility by PLN 4.8 billion (not in million) pursuant to the terms of the Amendment, Restatement and Consolidation Deed.

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Early repayment of the loan

On 29 April 2016 Midas Group made an early repayment of the loan granted by Pekao Bank in the amount of PLN 326.3. As a result of the said early repayment Midas group repaid its total indebtedness under the facility agreement and the bank released all the collateral securing the facility.

On 10 May 2016 Midas Group made an early repayment of the loans granted by Plus Bank in the amount of PLN 41.1. As a result of the said early repayment Midas Group repaid its total indebtedness under the facility agreement and the bank released all the collateral securing the facility.

Accession to the loan agreement

On 27 May 2016 Midas and Litenite Ltd. (indirect subsidiaries of the Company) acceded to the facilities agreement dated 21 September 2015 entered into initially by Cyfrowy Polsat, Polkomtel and other Group entities. Midas and Litenite Ltd. also acceded to the respecive Intercreditor Agreement.

On 29 June 2016 Aero 2 (indirect subsidiary of the Company) acceded to the facilities agreement dated 21 September 2015 entered into initially by Cyfrowy Polsat, Polkomtel and other Group entities. Aero 2 also acceded to the respecive Intercreditor Agreement.

15. Issued bonds

	30 September 2016 unaudited	31 December 2015
Short-term liabilities	41.9	4,776.7
Long-term liabilities	1,805.1	975.3
Total	**1,847.0**	**5,752.0**

Change in issued bonds:

	2016	2015
Issued bonds as at 1 January	**5,752.0**	**5,014.6**
Bonds on acquisition of Litenite (see note 16)	1,123.2	-
Bonds (redemption)/ issue	(4,483.8)	1,000.0
Repurchase of own bonds by the Group companies	(328.8)	-
Cumulative catch-up	-	(616.2)
Foreign exchange losses	244.8	141.9
Repayment of interest and commission	(306.2)	(484.7)
Early redemption fee	(262.1)	244.8
Interest accrued	107.9	271.5
Issued bonds payable as at 30 September unaudited	**1,847.0**	**5,571.9**

Completion of refinancing

On 1 February 2016, Eileme 2 (an indirect subsidiary of the Company) redeemed all of its issued Senior Notes in the total nominal value of EUR 542.5 and USD 500 due in 2020.

Purchase of bonds

On 12 May 2016 Cyfrowy Polsat Trade Marks (Company's direct subsidiary) purchased Midas' bonds for the total amount of PLN 221,8.

On 12 May 2016 Polkomtel (Company's indirect subsidiary) purchased Midas' bonds for the total amount of PLN 101,8.

16. Acquisition of a subsidiary

Acquisition of shares in Litenite Limited

On 29 February 2016 Polkomtel (Company's indirect subsidiary) acquired 100% shares of Litenite Ltd. from Ortholuck Ltd. The consideration for the 100% shares of Litenite Ltd. amounted to 1 Euro (not in millions), which takes into account Litenite's net indebtedness.

Litenite Ltd. is a direct owner of shares in Midas S.A. ('Midas'), representing 65.9975% of the total number of votes and share capital in Midas. Following the acquisition on 29 February 2016 the Group assumed control over Midas S.A. and its subsidiaries: Aero 2 Sp. z o.o., Altalog Sp. z o.o. oraz Sferia S.A. Midas Group is involved in telecommunication activities.

Otholuck is controlled by Mr. Zygmunt Solorz, ultimate controlling party of the Company.

On 29 February 2016 Polkomtel announced a tender offer to purchase 503,124,060 shares of Midas S.A., representing 34.0025% of the total number of votes and share capital of Midas. The price of the Midas shares in the tender offer has been set for PLN 0.81 (not in millions) per one share.

Following the closing of subscription for shares on 19 April 2016, subscriptions were made for the total of 403,054,449 shares, representing 27.2395% of the total number of votes and share capital of Midas. Upon completion of the above transaction Cyfrowy Polsat held indirectly 93.237% of the total number of votes and share capital of Midas.

On 5 May 2016 Polkomtel adopted a resolution to acquire up to 100% shares in Midas S.A. Accordingly, Polkomtel will proceed with announcing and conducting a mandatory squeeze-out of Midas shares.

On 31 May 2016 Polkomtel purchased 100,069,611 shares, representing 6.763% of the total number of votes and share capital of Midas. Upon completion of the above transaction Cyfrowy Polsat holds indirectly 100% of the total number of votes and share capital of Midas.

The Group uses the purchase accounting method for entities acquired under common control with the assumption that the full control over Midas Group (i.e. 100% shares) was acquired on 29 February 2016.

a) Provisional consideration transferred

	Provisional value of transferred
Cash transferred for the 100% shares of Litenite Ltd.	0.0*
Cash transferred for non-controlling interests in Midas S.A.	407.5
Provisional value as at 29 February 2016	**407.5**

* the consideration for the 100% shares of Litenite Ltd. amounted to 1 Euro (not in millions), which takes into account Litenite's net indebtedness

b) Reconciliation of transactional cash flow

Cash transferred	(407.5)
Cash and cash equivalents received*	262.2
Cash decrease in the period of 9 months ended 30 September 2016	**(145.3)**

* included restricted cash in the amount of PLN 20.0

c) Provisional fair value valuation of net assets as at acquisition date

The table below presents provisional fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Provisional fair values of assets and liabilities acquired as at 29 February 2016:

	Provisional fair value as at the acquisition date (29 February 2016)
Net assets:	
Property, plant and equipment	542.3
Buildings	86.8
Network systems and equipment	267.1
Assets under construction	188.4
Intangible assets	1,525.9
Software and licenses	2.2
Concessions	1,507.7
Other	0.8
Intangible asset in realization and prepayments	15.2
Other non-current assets	3.7
Deferred tax assets	127.3
Inventory	0.7
Trade receivables and other receivables	101.3
Other current assets	7.7
Cash and equivalents	262.2
Loans and borrowings	(378.7)
Issued bonds (Litenite)	(794.2)
Issued bonds (Midas)	(329.0)
Deferred tax liabilities	(251.6)
Other non-current liabilities and provisions	(19.2)
Trade liabilities and other liabilities	(115.8)
Deferred income	(545.6)
Provisional value of net assets	**137.0**
Provisional value of non-controlling interest in Sferia S.A. and Altalog Sp. z o.o. as at 29 February 2016	**98.3**
Consideration transferred	**407.5**
Provisional goodwill	**368.8**

Provisional fair value of assets (excluding concessions) and liabilities (excluding issued bonds liabilities) is estimated at book value as at the acquisition date. As the process of fair valuation has not yet been completed, the fair value of all identifiable acquired assets and liabilities is provisional and is applicable up to final valuation of assets and liabilities will be obtained.

It should be noted that during the provisional purchase price allocation the Group identified key concessions. The provisional fair value of key telecommunication concessions (800 MHz, 900 MHz, 1800 MHz) is estimated based on the market approach. Please note that there is a pending legal dispute in respect to the telecommunication concession for the 1800 mHz frequency granted to Mobyland Sp. z o.o. (now Aero 2 Sp. z o.o.) and Centernet S.A. (now Aero 2 Sp. z o.o.) – provisional fair value of this concession as at 29 February 2016 is equal to PLN 339.9. Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. Supreme Administrative Court (NSA), in its ruling dated 8 May 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on 23 September 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation". UKE also stated that the 'reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies'. The management board is unable to predict the final outcome of the dispute however in management's opinion this issue should have no negative impact on the results and financial condition of the Group (the Group is able to provide its services using alternative frequencies). Accordingly, no valuation adjustment has been made in these interim condensed consolidated financial statements that might have been necessary should the dispute's outcome be unfavorable for the entity.

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During the provisional purchase price allocation the Group analyzed the embedded derivative instrument such as the early redemption option of Midas' and Litenite's bonds – the analysis and the accounting standards applied by the Group do not indicate the necessity to recognize the instrument on the balance sheet. Accordingly, on 30 September 2016 the Group has not recognized the early redemption option on the assets' side and has recognized the issued bonds liabilities in a lower amount (excluding the option).

Goodwill is allocated to the "Services to individual and business customers" operating segment.

The revenue and net loss included in the interim consolidated income statement for the reporting period since 29 February 2016 contributed by Litenite group amounted to PLN 496.3 and PLN 106.3, respectively. Had it been acquired on 1 January 2016 the proforma revenue and net income included in the interim consolidated income statement for would have amounted to PLN 7,115.0 and PLN 628.8, respectively.

Acquisition of shares in IT Polpager S.A.

On 30 September 2016 Polkomtel (Company's indirect subsidiary) acquired 100% shares of IT Polpager S.A. from Trigon XVII Fundusz Inwestycyjny Zamknięty and Trigon XVIII Fundusz Inwestycyjny Zamknięty. The consideration for the 100% shares of IT Polpager S.A. amounted to PLN 10.3.

a) Provisional consideration transferred

	Provisional value of transferred
Cash transferred for the 100% shares of IT Polpager S.A.	10.3
Provisional value as at 30 September 2016	**10.3**

b) Reconciliation of transactional cash flow

Cash transferred	(10.3)
Cash and cash equivalents received	11.2
Cash increase in the period of 9 months ended 30 September 2016	**0.9**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

c) Provisional fair value valuation of net assets as at acquisition date

The table below presents provisional fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

Provisional fair values of assets and liabilities acquired as at 30 September 2016:

	Provisional fair value as at the acquisition date (30 September 2016)
Net assets:	
Deferred tax assets	0.1
Trade receivables and other receivables	1.4
Cash and equivalents	11.2
Trade liabilities and other liabilities	(2.6)
Provisional value of net assets	**10.1**
Consideration transferred	**10.3**
Provisional goodwill	**0.2**

Goodwill is allocated to the "Services to individual and business customers" operating segment.

IT Polpager S.A. was acquired on 30 September 2016 and therefore it contributed neither to revenue nor to net profit of the Group for the 9 months ended 30 September 2016. Had it been acquired on 1 January 2016 the proforma revenue and net income included in the interim consolidated income statement for would have amounted to PLN 7,194.1 and PLN 685.4, respectively.

17. Operating segments

The Group operates in the following two segments:

1. services to individual and business customers segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services, the online TV services and production of set-top boxes,
2. broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segment with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group’s other segments.
Services to individual and business customers segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;

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- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet;
- production of set-top boxes.

Broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television and radio channels in Poland. The revenues generated by the broadcasting and television production segment relate mainly to advertising and sponsorship revenues as well as revenues from cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization, impairment and liquidation. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 9 months ended 30 September 2016:

The 9 months ended 30 September 2016 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,274.9	919.8	-	7,194.7
Inter-segment revenues	22.6	150.7	(173.3)	-
Revenues	**6,297.5**	**1,070.5**	**(173.3)**	**7,194.7**
EBITDA (unaudited)	**2,328.7**	**409.8**	**-**	**2,738.5**
Depreciation, amortization, impairment and liquidation	1,428.8	30.3	-	1,459.1
Profit from operating activities	**899.9**	**379.5**	**-**	**1,279.4**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	487.8*	19.9	-	507.7
Balance as at 30 September 2016 (unaudited)				
Assets, including:	23,016.2	4,518.1**	(41.2)	**27,493.1**
Investments in joint venture	-	5.8	-	5.8

* This item also includes the acquisition of reception equipment for operating lease purposes.

** Includes non-current assets located outside of Poland in the amount of PLN 9.0.

All material revenues are generated in Poland.

It should be noted that the data for 9 months ended 30 September 2016 is not comparable to the 9 months ended 30 September 2015 as Radio PIN was acquired on 27 February 2015 (allocated to the Broadcasting and television production segment), Orsen Holding Limited was acquired on 1 April 2015 (allocated to the Services to individual and business customers segment) and Litenite Limited was acquired on 29 February 2016 (allocated to the Services to individual and business customers segment).

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 9 months ended 30 September 2015:

The 9 months ended 30 September 2015 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,411.5	801.6	-	7,213.1
Inter-segment revenues	24.0	111.1	(135.1)	-
Revenues	**6,435.5**	**912.7**	**(135.1)**	**7,213.1**
EBITDA (unaudited)	**2,484.0**	**320.0**	**-**	**2,804.0**
Depreciation, amortization, impairment and liquidation	1,233.6	29.0	-	1,262.6
Profit from operating activities	**1,250.4**	**291.0**	**-**	**1,541.4**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	509.8*	24.0	-	533.8
Balance as at 30 September 2015 (unaudited)				
Assets, including:	21,836.4	4,344.4**	(37.3)	**26,143.5**
Investments in joint venture	-	5.1	-	5.1

* This item also includes the acquisition of reception equipment for operating lease purposes.

** Includes non-current assets located outside of Poland in the amount of PLN 22.3.

Reconciliation of EBITDA and Net profit for the period:

	for the 9 months ended	
	30 September 2016 unaudited	**30 September 2015 unaudited**
EBITDA (unaudited)	**2,738.5**	**2,804.0**
Depreciation, amortization, impairment and liquidation (note 9)	(1,459.1)	(1,262.6)
Profit from operating activities	**1,279.4**	**1,541.4**
Other foreign exchange rate differences, net (note 10)	(45.0)	4.5
Share of the profit of joint venture accounted for using the equity method	-	1.9
Cumulative catch-up	-	616.2
Interest costs, net (note 10 and 11)	(384.6)	(581.3)
Foreign exchange differences on issued bonds (note 11)	(244.8)	(141.9)
Valuation and realization of derivatives not used in hedge accounting – relating to principal (note 11)	203.8	-
Early redemption costs	-	(244.8)
Other	(16.1)	(35.5)
Gross profit for the period	**792.7**	**1,160.5**
Income tax	(113.5)	(182.7)
Net profit for the period	**679.2**	**977.8**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

18. Transactions with related parties

Receivables

	30 September 2016 unaudited	31 December 2015
Joint ventures	1.2	2.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	5.5	61.9
Total*	**6.7**	**64.5**

*Amounts presented above do not include deposits paid (30 September 2016 – PLN 3.3, 31 December 2015 – PLN 3.3)

Receivables due from related parties have not been pledged as security.

Other assets

	30 September 2016 unaudited	31 December 2015
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.1	358.5
Total	**0.1**	**358.5**

Other current assets as at 31 December 2015 comprise mainly accruals related to agreement with Aero 2 Sp. z o.o.

Liabilities

	30 September 2016 unaudited	31 December 2015
Joint ventures	1.0	1.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	21.0	28.7
Total	**22.0**	**30.6**

Loans granted

	30 September 2016 unaudited	31 December 2015
Joint ventures	47.6	43.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.2	0.4
Total	**48.8**	**43.4**

Issued bonds

	30 September 2016 unaudited	31 December 2015
Entities controlled by a person (or a close member of that person's family) or persons who have control, joint control or significant influence over Cyfrowy Polsat S.A.	773.3	-
Total	**773.3**	**-**

Liabilities relate to bond issued by Litenite Ltd.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Revenues

	for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Subsidiaries*	84.6	1.8
Joint ventures	0.8	2.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	10.0	357.0
Total	**95.4**	**360.9**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 9 months ended 30 September 2016 and 30 September 2015 the most significant transactions include revenues from sharing base transceiver stations and radio module, services relating to expansion of telecommunication network, sale of advertisements and revenues from audiotext services.

Expenses and purchases of programming assets

	for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Subsidiaries*	120.2	6.5
Joint ventures	2.8	4.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	163.6	477.0
Total	**286.6**	**488.2**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 9 months ended 30 September 2016 the most significant transactions include data transfer services, property rental, cost of electrical energy, expenses for programming assets and advertising services. In 9 months ended 30 September 2015 the most significant transactions include data transfer services, expenses for programming assets, advertising services, property rental, cost of electrical energy, telephone customer care services and commission fees.

Gain on investment activities, net

	for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Joint ventures	2.1	1.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.7	-
Total	**2.8**	**1.6**

Finance costs

	for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Joint ventures	-	0.1
Entities controlled by a person (or a close member of that person's family) or persons who have control, joint control or significant influence over Cyfrowy Polsat S.A.	42.4	0.2
Total	**42.4**	**0.3**

The acquisition of shares in Litenite Ltd. was presented in note 16.

19. Contingent liabilities

Management believes that the provisions as at 30 September 2016 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer („UOKiK")

On 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's indirect subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4 (i.e. EUR 1). On 20 October 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. In management's opinion it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel, thus no provision was recognized.

On 23 November 2011 Polkomtel (Company's indirect subsidiary) received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5. In management's opinion, no such agreement had been concluded between the parties. The company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty. Following SOKiK's verdict dated 19 June 2015 the penalty has been revoked in full. The verdict is non-binding. The President of UOKiK appealed against the verdict.

On 27 December 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5. The company appealed to SOKiK against the decision. On 15 October 2014 SOKiK issued a decision where the penalty has been reduced to PLN 1.5. On 10 February 2016 SOKiK's decision has been revoked thus re-establishing the penalty back at PLN 4.5. On 15 March 2016 Polkomtel made a payment in the amount of PLN 1.8. The company is waiting for the reconsideration of the case by SOKiK.

On 23 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8. The company appealed to SOKiK against the decision.

On 30 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0. The company appealed to SOKiK against the decision.

On 15 December 2014 Polkomtel (Company's indirect subsidiary) received a claim from Orange for the total amount of PLN 21 related to the actions allegedly contrary to the obligations arising under the agreement for the transfer of rights to radio frequencies. On 13 January 2015 the company filed an answer to the claim. Pursuant to the decision of the District Court in Warsaw the penalty has been lowered to PLN 9.0. Polkomtel appealed against the verdict. In management's opinion the claim is groundless.

In September 2015, Polkomtel (Company's indirect subsidiary) received a claim from P4 Sp. z o.o., in which the company demands compensation of EUR 316.0 (including interest of PLN 85.0), for the alleged actions relating to the pricing of the mobile services rendered between July 2009 and March 2012. The claim assumes payment of the above amount jointly by Orange Poland SA, Polkomtel and T-Mobile Poland SA.
Management believes that the claim is unfounded, as Polkomtel's conduct alone or with other tort entities was not wrongful, in particular relating to the pricing of retail mobile services directed to the telecommunications network of P4 Sp. z o.o. In management's opinion, there is no legal basis for the overall assessment of the alleged actions of each of the operators on the telecommunications market, which is fully a competitive market, and each of the operators has its own business and pricing strategy. The claim of P4 Sp. z o.o. indicates neither nature (premises liability) nor the amount.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

20. Risk and fair value

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.
The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended as at 31 December 2015. There have been no significant changes in any risk management policies since the end of year 2015.

Liquidity risk

Compared to 31 December 2015, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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Presented below are fair values and carrying amounts of financial instruments not measured in fair value.

			30 September 2016 unaudited		31 December 2015	
	Category according to IAS 39	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	61.9	59.5	50.7	47.9
Trade and other receivables	A	*	1,801.7	1,801.7	1,729.0	1,729.0
Cash and cash equivalents and short-term deposits	A	*	1,099.4	1,099.4	1,512.0	1,512.0
Restricted cash	A	*	10.8	10.8	11.7	11.7
Loans and borrowings	C	2	(10,890.6)	(10,799.7)	(6,733.1)	(6,610.7)
Issued bonds	C	1,2	(2,078.0)	(1,847.0)	(5,773.0)	(5,752.0)
UMTS licence liabilities	C	2	(740.8)	(673.5)	(836.6)	(769.8)
Finance lease liabilities	C	2	(27.0)	(27.0)	(25.2)	(25.2)
Accruals	C	*	(608.3)	(608.3)	(594.5)	(594.5)
Trade and other payables and deposits	C	*	(493.1)	(493.1)	(540.6)	(540.6)
Total			**(11,864.0)**	**(11,477.2)**	**(11,199.6)**	**(10,992.2)**
Unrecognized loss				**(386.8)**		**(207.4)**

A – loans and receivables
B – derivatives
C - other
* It is assumed that the fair value of trade and other receivables, cash and cash equivalents (including restricted cash), accruals and trade and other payables and short-term deposits is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of finance lease liabilities, forecasted cash flows from the reporting date to assumed dates of lease agreements termination were analyzed. The discount rate for each payment was calculated as a WIBOR interest rate plus a margin regarding the Group's credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking into account the time value of money, would approximately be equal to their nominal value.

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.
When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR, LIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

As at 30 September 2016 as well as at 31 December 2015 loans and borrowings comprised senior facilities and bank loans. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Group's credit risk. When determining the fair value of senior facilities of Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o as at 30 September 2016 as well as at 31 December 2015, forecasted cash flows from the reporting date to 21 September 2020 (assumed date of repayment of the loans) were analyzed.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

The fair value of forwards, interest rate swaps and cross-currency interest rate swaps is determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

The fair value of bonds as at 30 September 2016 as well as at 31 December 2015 was calculated as their last transaction price as at the balance sheet date as quoted by Bloomberg multiplied by the EUR/PLN exchange rate or the USD/PLN rate respectively as at the balance sheet date. The fair value of Midas and Litenite bonds was defined in accordance with generally accepted valuation models based on an analysis of discounted cash flows, while the most significant input data is the discount rate reflecting the counterparty credit risk.

As at 30 September 2016, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	30 September 2016 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments:				
Forwards		-	0.6	-
Interest rate swaps		-	7.1	-
Hedging derivative instruments:				
Interest rate swaps		-	0.6	-
Total		**-**	**8.3**	**-**

Liabilities measured at fair value

	30 September 2016 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments:				
Forwards		-	(0.2)	-
Interest rate swaps		-	-	-
Hedging derivative instruments:				
Interest rate swaps		-	(1.6)	-
Total		**-**	**(1.8)**	**-**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

As at 31 December 2015, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	31 December 2015	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Forwards		-	10.5	-
Interest rate swaps		-	6.9	-
Total		**-**	**17.4**	**-**

Liabilities measured at fair value

	31 December 2015	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Forwards		-	(33.3)	-
Interest rate swaps			(31.3)	
Hedging derivative instruments:				
Interest rate swaps		-	(8.3)	-
Total		**-**	**(72.9)**	**-**

21. Important agreements and events

Permission to withdraw from dematerialization of shares

On 26 July 2016 Midas (Company's indirect subsidiary) received a decision from the Polish Financial Supervision Authority dated 19 July 2016 granting permission to restore its shares to a physical document (abolition of dematerialization of shares). Shares of Midas were excluded from trading on the Warsaw Stock Exchange on 9 August 2016.

22. Events subsequent to the reporting date

There were no significant events during the 9 months ended 30 September 2016.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

23. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the facilities agreement. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Commitments to purchase programming assets

As at 30 September 2016 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 September 2016 unaudited	31 December 2015
within one year	166.3	178.1
between 1 to 5 years	80.7	116.4
Total	**247.0**	**294.5**

The table below presents commitments to purchase programming assets from related parties not included in the consolidated financial statements:

	30 September 2016 unaudited	31 December 2015
within one year	11.4	15.9
Total	**11.4**	**15.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 151.7 as at 30 September 2016 (PLN 136.3 as at 31 December 2015). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 September 2016 was PLN 112.0 (PLN 63.8 as at 31 December 2015).

24. Judgments, financial estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2015.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 9 months ended 30 September 2016

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

Table of contents

APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 8 November 2016, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period from 1 January 2016 to 30 September 2016 showing a net profit for the period of:	PLN 400.7
Interim Statement of Comprehensive Income for the period from 1 January 2016 to 30 September 2016 showing a total comprehensive income for the period of:	PLN 406.6
Interim Balance Sheet as at 30 September 2016 showing total assets and total equity and liabilities of:	PLN 13,086.2
Interim Cash Flow Statement for the period from 1 January 2016 to 30 September 2016 showing a net decrease in cash and cash equivalents amounting to:	PLN 77.7
Interim Statement of Changes in Equity for the period from 1 January 2016 to 30 September 2016 showing an increase in equity of:	PLN 406.6

Notes to the Interim Condensed Financial Statements

The interim condensed financial statements have been prepared in PLN million unless otherwise indicated.

Tobias Solorz President of the Management Board	Dariusz Działkowski Member of the Management Board	Tomasz Gillner-Gorywoda Member of the Management Board	Aneta Jaskólska Member of the Management Board
Agnieszka Odorowicz Member of the Management Board	Katarzyna Ostap-Tomann Member of the Management Board	Maciej Stec Member of the Management Board	Agnieszka Szatan Chief Accountant

Warsaw, 8 November 2016

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Income Statement

	Note	for the 3 months ended 30 September 2016 unaudited	for the 3 months ended 30 September 2015 unaudited	for the 9 months ended 30 September 2016 unaudited	for the 9 months ended 30 September 2015 unaudited
Revenue	7	559.9	512.7	1,640.1	1,545.0
Operating costs	8	(474.5)	(425.4)	(1,396.6)	(1,288.4)
Other operating income, net		1.7	6.2	9.7	15.2
Profit from operating activities		**87.1**	**93.5**	**253.2**	**271.8**
Gain on investment activities, net	9	8.6	7.4	265.9	262.9
Finance costs	10	(25.4)	(59.6)	(77.8)	(111.3)
Gross profit for the period		**70.3**	**41.3**	**441.3**	**423.4**
Income tax		(15.0)	(7.7)	(40.6)	(31.4)
Net profit for the period		**55.3**	**33.6**	**400.7**	**392.0**
Basic and diluted earnings per share (in PLN)		**0.09**	**0.05**	**0.63**	**0.61**

Interim Statement of Comprehensive Income

	for the 3 months ended 30 September 2016 unaudited	for the 3 months ended 30 September 2015 unaudited	for the 9 months ended 30 September 2016 unaudited	for the 9 months ended 30 September 2015 unaudited
Net profit for the period	**55.3**	**33.6**	**400.7**	**392.0**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	2.6	(0.5)	7.3	4.8
Income tax relating to hedge valuation	(0.5)	0.2	(1.4)	(0.8)
Items that may be reclassified subsequently to profit or loss	**2.1**	**(0.3)**	**5.9**	**4.0**
Other comprehensive income, net of tax	**2.1**	**(0.3)**	**5.9**	**4.0**
Total comprehensive income for the period	**57.4**	**33.3**	**406.6**	**396.0**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Balance Sheet - Assets

	30 September 2016 unaudited	31 December 2015
Reception equipment	365.5	374.6
Other property, plant and equipment	148.2	143.3
Goodwill	197.0	197.0
Other intangible assets	76.8	81.4
Investment property	12.4	12.9
Shares in subsidiaries	11,424.6	11,424.8
Non-current deferred distribution fees	27.3	32.1
Other non-current assets	36.7	43.0
includes derivative instruments (IRS) assets	*0.4*	-
Total non-current assets	**12,288.5**	**12,309.1**
Inventories	88.4	76.0
Trade and other receivables	346.1	323.4
Current deferred distribution fees	78.7	86.9
Other current assets	225.8	161.2
includes derivative instruments (IRS) assets	*0.2*	-
Cash and cash equivalents	58.7	136.4
Total current assets	**797.7**	**783.9**
Total assets	**13,086.2**	**13,093.0**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Balance Sheet - Equity and Liabilities

	Note	30 September 2016 unaudited	31 December 2015
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	(0.8)	(6.7)
Retained earnings		3,152.0	2,751.3
Total equity		**10,350.8**	**9,944.2**
Loans and borrowings	13	839.5	982.0
Issued bonds	14	965.1	975.3
Deferred tax liabilities		103.1	97.3
Deferred income		3.4	4.7
Other non-current liabilities and provisions		10.0	10.6
Total non-current liabilities		**1,921.1**	**2,069.9**
Loans and borrowings	13	231.2	504.7
Issued bonds	14	41.9	42.4
Trade and other payables		296.9	299.8
includes derivative instruments (IRS) liabilities		*1.6*	*8.3*
Income tax liability		7.4	6.2
Deposits for equipment		1.9	1.6
Deferred income		235.0	224.2
Total current liabilities		**814.3**	**1,078.9**
Total liabilities		**2,735.4**	**3,148.8**
Total equity and liabilities		**13,086.2**	**13,093.0**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Cash Flow Statement

	Note	for the 9 months ended 30 September 2016 unaudited	for the 9 months ended 30 September 2015 unaudited
Net profit		**400.7**	**392.0**
Adjustments for:		**(147.5)**	**(122.4)**
Depreciation, amortization, impairment and liquidation	8	169.4	173.9
Interest expense		69.7	103.2
Change in inventories		(12.4)	33.1
Change in receivables and other assets		(48.9)	(58.1)
Change in liabilities, provisions and deferred income		8.5	(46.6)
Valuation of hedging instruments		7.3	4.8
Income tax		40.6	31.4
Net increase in reception equipment provided under operating lease		(123.9)	(98.1)
Dividends income and share in the profits of partnerships	9	(258.7)	(266.8)
Other adjustments		0.9	0.8
Cash from operating activities		**253.2**	**269.6**
Income tax paid		(34.9)	(0.6)
Interest received from operating activities		0.8	0.8
Net cash from operating activities		**219.1**	**269.8**
Received dividends and shares in the profits of partnerships		245.1	264.6
Merger with related entities		-	47.2
Loans granted		(13.1)	(5.9)
Acquisition of property, plant and equipment		(27.4)	(15.9)
Acquisition of intangible assets		(12.9)	(18.5)
Proceeds from sale of shares		0.1	-
Proceeds from sale of property, plant and equipment		3.7	0.8
Loans repaid		5.6	-
Acquisition of shares		-	(34.9)
Net cash from investing activities		**201.1**	**237.4**
Loans and borrowings inflows	13	-	1,320.0
Bonds issued		-	1,000.0
Net cash from the Cash Management System Agreement with paid interest		(299.5)	(95.6)
Other		-	(0.3)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(78.4)	(56.4)
Repayment of loans and borrowings	13	(120.0)	(2,550.0)
Net cash used in financing activities		**(497.9)**	**(382.3)**
Net (decrease)/increase in cash and cash equivalents		**(77.7)**	**124.9**
Cash and cash equivalents at the beginning of period		**136.4**	**13.3**
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at the end of period		**58.7**	**138.2**

* Includes impact of hedging instruments

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Interim Statement of Changes in Equity for the 9 months ended 30 September 2016

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2016	**25.6**	**7,174.0**	**(6.7)**	**2,751.3**	**9,944.2**
Total comprehensive income	-	-	5.9	400.7	**406.6**
Hedge valuation reserve	-	-	*5.9*	-	**5.9**
Net profit for the period	-	-	-	400.7	**400.7**
Balance as at 30 September 2016 unaudited	**25.6**	**7,174.0**	**(0.8)**	**3,152.0**	**10,350.8**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Interim Statement of Changes in Equity for the 9 months ended 30 September 2015

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2015 restated	**25.6**	**7,174.0**	**(12.2)**	**2,195.5**	**9,382.9**
Total comprehensive income	-	-	4.0	392.0	**396.0**
Hedge valuation reserve	-	-	*4.0*	-	***4.0***
Net profit for the period	-	-	-	*392.0*	***392.0***
Merger with Redefine Sp. z o.o.	-	-	-	109.7	**109.7**
Balance as at 30 September 2015 unaudited	**25.6**	**7,174.0**	**(8.2)**	**2,697.2**	**9,888.6**

* The capital excluded from distribution amounts to PLN 8.5. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Notes to the Interim Condensed Financial Statements

1. The Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Company's registered head office is located at 4a Łubinowa Street in Warsaw.

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as telecommunication services provider.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). The Group encompasses the Company, Metelem Holding Company Limited ('Metelem') and its subsidiaries and joint ventures, Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Orsen Holding Limited and its subsidiaries and Netshare Sp. z o.o.

2. Composition of the Management Board of the Company

- Tobias Solorz	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Tomasz Gillner-Gorywoda	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Agnieszka Odorowicz	Member of the Management Board (from 1 March 2016),
- Katarzyna Ostap-Tomann	Member of the Management Board (from 1 October 2016),
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board (to 30 September 2016).

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz	President of the Supervisory Board (to 30 September 2016),
- Marek Kapuściński	President of the Supervisory Board (from 25 October 2016), Member of the Supervisory Board (from 1 October 2016 to 24 October 2016),
- Józef Birka	Member of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board (from 1 October 2016).

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 9 months ended 30 September 2016 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS EU).

The Company as the Parent Company prepared the interim condensed consolidated financial statements (approved on 8 November 2016). These interim condensed financial statements should be read together with the interim condensed consolidated financial statements.

The Company applied the same accounting policies in the preparation of the financial data for the 9 months ended 30 September 2016 and the financial statements for the year 2015, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2016. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2016 do not have a material impact on these interim condensed financial statements.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 8 November 2016.

6. Information on seasonality in the Company's operations

Retail revenue is not directly subject to any seasonal trend.

7. Revenue

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Retail revenue	519.5	488.0	1,531.3	1,459.9
Wholesale revenue	16.3	10.1	52.1	30.9
Sale of equipment	18.6	8.8	37.8	34.2
Other revenue	5.5	5.8	18.9	20.0
Total	**559.9**	**512.7**	**1,640.1**	**1,545.0**

Retail revenue mainly consists of pay-TV, telecommunication services, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

8. Operating costs

		for the 3 months ended		for the 9 months ended	
	Note	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Content costs		146.2	135.1	445.4	396.3
Technical costs and costs of settlements with mobile network operators		120.4	88.3	339.1	244.8
Distribution, marketing, customer relation management and retention costs		79.7	72.4	232.8	231.5
Depreciation, amortization, impairment and liquidation		55.2	59.7	169.4	173.9
Salaries and employee-related costs	a	21.3	28.1	69.2	88.4
Cost of equipment sold		18.7	8.7	39.6	44.0
Cost of debt collection services and bad debt allowance and receivables written off		2.2	5.4	9.7	20.0
Other costs		30.8	27.7	91.4	89.5
Total		**474.5**	**425.4**	**1,396.6**	**1,288.4**

a) Salaries and employee-related costs

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Salaries	18.3	24.0	58.7	74.4
Social security contributions	2.4	3.1	9.0	11.7
Other employee-related costs	0.6	1.0	1.5	2.3
Total	**21.3**	**28.1**	**69.2**	**88.4**

9. Gain on investment activities, net

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Dividends received	-	-	233.6	260.7
Share in the profits of partnerships	6.9	6.1	25.1	6.1
Guarantee fees from related party	1.4	-	4.2	-
Other	0.3	1.3	3.0	(3.9)
Total	**8.6**	**7.4**	**265.9**	**262.9**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

10. Finance costs

	for the 3 months ended		for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited	30 September 2016 unaudited	30 September 2015 unaudited
Interest expense on loans and borrowings	10.7	44.6	33.4	87.2
Interest expense on issued bonds	10.9	8.4	32.2	8.4
Valuation and realization of hedging instruments	1.7	2.1	5.6	5.7
Guarantee fees	1.5	1.0	4.2	3.8
Bank and other charges	0.6	3.5	2.4	6.2
Total	**25.4**	**59.6**	**77.8**	**111.3**

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 September 2016 and 31 December 2015:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

The shareholders' structure as at 30 September 2016 and 31 December 2015 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Entity is controlled by Mr. Zygmunt Solorz

[2] Reddev Investments Ltd. is an indirect subsidiary of Mr. Zygmunt Solorz

[3] Sensor Overseas Ltd. is controlled by EVO Foundation

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(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2016	2015
Balance as at 1 January	**(6.7)**	**(12.2)**
Valuation of cash flow hedges	7.3	4.8
Deferred tax	(1.4)	(0.8)
Change for the period	**5.9**	**4.0**
Balance as at 30 September unaudited	**(0.8)**	**(8.2)**

In 2014 in connection with new credit facilities hedging relationship was designated. It was maintained and attached to 2015-incurred credit facilities.

13. Loans and borrowings

Loans and borrowings	30 September 2016 unaudited	31 December 2015
Short-term liabilities	231.2	504.7
Long-term liabilities	839.5	982.0
Total	**1,070.7**	**1,486.7**

Change in loans and borrowings liabilities:

	2016	2015
Loans and borrowings as at 1 January	**1,486.7**	**2,773.3**
Revolving facility loan	-	120.0
Repayment of capital	(120.0)	(2,550.0)
Repayment of interest and commissions	(30.4)	(50.2)
Term facility loan	-	1,200.0
Net cash from the Cash Management System Agreement	(299.0)	(92.6)
Interest accrued	33.4	74.2
Loans and borrowings as at 30 September unaudited	**1,070.7**	**1,474.7**

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

14. Issued Bonds

	30 September 2016 unaudited	31 December 2015
Short-term liabilities	41.9	42.4
Long-term liabilities	965.1	975.3
Total	**1,007.0**	**1,017.7**

Change in issued bonds:

	2016	2015
Issued bonds payable as at 1 January	**1,017.7**	**-**
Issuance of bonds	-	1,000.0
Repayment of interest and commissions	(42.9)	-
Interest accrued	32.2	6.4
Issued bonds payable as at 30 September unaudited	**1,007.0**	**1,006.4**

15. Transactions with related parties

Receivables

	30 September 2016 unaudited	31 December 2015
Subsidiaries	49.5	41.1
Joint ventures	0.8	0.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.5	0.9
Total	**50.8**	**42.3**

A significant portion of receivables is represented by receivables related to sale to Polkomtel Sp. z o.o. ('Polkomtel'), dividend receivables and receivables from share of the profits of partnerships.

Other assets

	30 September 2016 unaudited	31 December 2015
Subsidiaries	217.4	160.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.1	-
Total	**217.5**	**160.0**

Other current assets comprise mainly deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Liabilites

	30 September 2016 unaudited	31 December 2015
Subsidiaries	85.5	65.3
Joint ventures	0.6	1.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	2.0	3.1
Total	**88.1**	**69.6**

A significant portion of liabilities is represented by programming licence fees, fees for using 'Cyfrowy Polsat' trade mark and liabilities resulting from purchase of set-top boxes.

Loans granted

	30 September 2016 unaudited	31 December 2015
Subsidiaries	3.4	3.3
Joint ventures	11.1	10.7
Total	**14.5**	**14.0**

Revenues

	for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Subsidiaries	51.6	81.2
Joint ventures	0.4	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.9	1.7
Total	**52.9**	**82.9**

In 9 months ended 30 September 2016 the most significant transactions include revenues from subsidiaries from programming fees, advertising, signal broadcast, accounting and property rental services. In 9 months ended 30 September 2015 the most significant transactions include revenues from sale of materials used in set-top boxes' production, accounting services rendered to subsidiaries, interconnect services, programming fees, property rental and signal broadcast services.

Expenses

	for the 9 months ended	
	30 September 2016 unaudited	30 September 2015 unaudited
Subsidiaries	504.9	347.7
Joint ventures	0.6	2.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	14.5	12.6
Total	**520.0**	**362.4**

The most significant transactions include data transfer services.

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The Company also pays license fees for broadcasting programs: Polsat Film HD, Polsat Romans, Polsat Sport, Polsat Sport Extra, Polsat Sport Extra HD, Polsat Film, Polsat News, Polsat Play, Polsat Cafe, Polsat Sport Fight HD, Polsat Sport HD, Polsat Sport 2 HD, Polsat Sport 3 HD and Polsat Jim Jam and incurs expenses for using 'Cyfrowy Polsat' trade mark, purchasing advertising time, commissions for subscribers' acquisitions and telephone customer care services.

Gain on investment activities, net

	for the 9 months ended	
	30 September 2016 unaudited	**30 September 2015 unaudited**
Subsidiaries	263.1	266.8
Joint ventures	0.4	0.4
Total	**263.5**	**267.2**

Gains and losses on investment activities comprises mostly of dividends and in 9 months ended 30 September 2016 also income from share of the profits of partnerships and guarantees granted by the Company in respect to settlement of Polkomtel's term facilities.

Finance costs

	for the 9 months ended	
	30 September 2016 unaudited	**30 September 2015 unaudited**
Subsidiaries	4.2	3.7
Total	**4.2**	**3.7**

Finance costs comprise mostly of guarantee fees in respect to settlement of term facilities (including loan which was repaid as well as loan currently taken).

16. Litigations

Management believes that the provisions for litigations as at 30 September 2016 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

17. Risk and fair value

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, the risk of changes in cash flows related to interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended as at 31 December 2015. There have been no significant changes in any risk management policies since the end of year 2015.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

Liquidity risk

Compared to 31 December 2015, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Presented below are fair values and carrying amounts of financial instruments not measured in fair value.

			30 September 2016 unaudited		**31 December 2015**	
	Category according to IAS 39	**Level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	25.0	25.0	18.3	18.6
Trade and other receivables	A	*	322.4	322.4	315.8	315.8
Cash and cash equivalents	A	*	58.7	58.7	136.4	136.4
Loans and borrowings	C	2	(1,078.1)	(1,070.7)	(1,502.6)	(1,486.7)
Issued bonds	C	2	(1,029.9)	(1,007.0)	(1,031.6)	(1,017.7)
Accruals	C	*	(136.1)	(136.1)	(127.1)	(127.1)
Trade and other payables and deposits	C	*	(142.7)	(142.7)	(142.4)	(142.4)
Total			**(1,980.7)**	**(1,950.4)**	**(2,333.2)**	**(2,303.1)**
Unrecognized loss				**(30.3)**		**(30.1)**

A - loans and receivables
B - hedges
C - other
* It is assumed that the fair value of trade and other receivables, cash and cash equivalents, accruals and trade and other payables and deposits is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

(all cash amounts presented in text are in million with currency specification, all amounts are in PLN million, except where otherwise stated)

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR, LIBOR or EURIBOR interest rate plus a margin regarding the credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 30 September 2016 and 31 December 2015 loans and borrowings comprised senior facility and the Cash Management System Agreement. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 September 2016 and 31 December 2015, forecasted cash flows from the reporting date to 21 September 2020 (assumed date of repayment of the loan) were analyzed. The fair value of the Cash Management System Agreement is set as the nominal value, which is equal to carrying amount.

The fair value of interest rate swaps is determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

As at 30 September 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 September 2016 unaudited	Level 1	Level 2	Level 3
IRS		-	0.6	-
Total		**-**	**0.6**	**-**

Liabilities measured at fair value

	30 September 2016 unaudited	Level 1	Level 2	Level 3
IRS		-	(1.6)	-
Total		**-**	**(1.6)**	**-**

As at 31 December 2015, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value

	31 December 2015	Level 1	Level 2	Level 3
IRS		-	(8.3)	-
Total		**-**	**(8.3)**	**-**

18. Important agreements and events

Sale of shares

On 4 January 2016 shares in Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) were disposed of by the Company.

Merger

On 30 June 2016 the merger of Netshare Sp. z o.o. with Gery.pl Sp. z o.o. was registered. The surviving entity is Netshare Sp. z o.o.

19. Other disclosures

Security relating to loans and borrowings

Establishment of collateral for loan facilities

The Company entered into a series of agreements establishing collateral under the facilities agreement. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Other securities

The Company provided to its subsidiary a guarantee in the amount of EUR 2.8 in respect to a programming purchase contract.

Contractual liabilities related to purchases of non-current assets

Total amount of capital commitments resulting from agreements on property construction and improvements was PLN 5.8 as at 30 September 2016 (PLN 0.0 as at 31 December 2015). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 September 2016 was PLN 0.3 (PLN 0.3 as at 31 December 2015).

20. Events subsequent to the reporting date

There were no material events subsequent to the reporting date.

21. Judgments, financial estimates and assumptions

The preparation of interim condensed financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates and assumptions applied in preparation on these interim condensed financial statements were the same as those adopted in the preparation of financial statements for the year ended 31 December 2015.