CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the three month period ended
March 31, 2018

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REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018

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 in 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 about 180 TV channels, including over 80 channels in high definition standard, as well as additional modern OTT services (e.g. Cyfrowy Polsat GO, pay-per-view, Video On Demand) and Multiroom. We also provide online video services through IPLA, the leader on Poland's online video market, by offering them in a subscription and transaction (PPV) model, as well as free of charge (financed by advertising revenue);

- mobile telecommunication services, including voice and data transmission services, as well as various added services (VAS), 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;

- broadcasting and television production through Telewizja Polsat, the leading commercial TV broadcaster on the Polish market, offering 24 popular TV channels (17 in HD standard), including our main channel POLSAT, one of the leading FTA channels in Poland;

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

The Group operates mainly on the territory of Poland 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.

Cyfrowy Polsat shares are listed in the Warsaw Stock Exchange in Warsaw since May 6, 2008.

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 multiplay services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

The superior 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 customer base value 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 telecoms 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 Article 60 section 1 and 2 and Article 66 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations (Journal of Laws 2018.757 dated April 30, 2018).

Presentation of financial and other information

References to the Company or Cyfrowy Polsat contained in this Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group (hereafter "Report") apply to Cyfrowy Polsat S.A., while all references to the Group, Polsat Group, the 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 it is clear from the context that they apply only to the Company. A glossary of terms used in this document is presented at the end of this Report.

Financial and operating data

This Report contains financial statements and financial information relating to the Company and the Group. In particular, this Report contains our quarterly condensed consolidated financial statements for the 3-month period ended March 31, 2018 and quarterly condensed financial statements for the 3-month period ended March 31, 2018. The financial statements attached to this Report have been prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements have not been audited by an independent auditor.

Starting from January 1, 2018, the Group is obligated to apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The Group has decided to apply IFRS 15 retrospectively without restating the comparative figures for 2017.

IFRS 9 *Financial Instruments* specifies how an entity should classify and measure financial assets, financial liabilities, and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement.*

IFRS 15 establishes a single, five-step model for determining and recognizing revenues, which shall be applied to all contracts with customers. It replaces the existing IAS 18 *Revenue* and IAS 11 *Construction Contracts.*

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 in this Report, all references to "PLN" or "zloty" in this Report are to the legal tender of the Republic of Poland, all references to "USD" or "US dollars" are to the legal tender of the United States and all references to "EUR" or the "euro" are to the legal tender 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. The information regarding the market, its size, the market share, the market position, the 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 primarily from industry data providers listed below:

- 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;
- Starcom (previously SMG Starlink);
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2016-2020);
- Zenith media house;
- Gemius/PBI;
- PMR – *Pay TV market in Poland 2017. Market analysis and forecasts for the years 2017-2022*;
- PMR – *Telecommunication market in Poland 2017. Market analysis and forecasts for the years 2017-2022*;
- PMR – *Integrated telecommunications services market in Poland 2018; Market analysis and forecasts for the years 2018-2023*;
- GfK Polonia;
- Ericsson Mobility Report;
- IQS;
- Fiber to the Home Council Europe; 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-month period ended March 31, 2018 and March 31, 2017. 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 the interim condensed consolidated financial statements for the three-month period ended March 31, 2018 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 and the consolidated cash flow statement for the three-month period ended March 31, 2018 and March 31, 2017 have been converted into euro at a rate of PLN 4.1811 per EUR 1.00, being the average of monthly average weighted exchange rates announced by the NBP in the reporting period i.e. from January 1 to March 31, 2018;
- from the consolidated balance sheet data as at March 31, 2018 and December 31, 2017 have been converted into euro at a rate of PLN 4.2085 per EUR 1.00 (average exchange rate published by NBP on March 30, 2018).

Such translations shall not be viewed as a representation that such zloty amounts 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 the financial data for the three-month periods ended March 31, 2018 and March 31 2017 are not fully comparable due to the disposal of LTE Holdings Limited on June 19, 2017, the acquisition of 51% of shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) on September 7, 2017, the acquisition of 100% of shares in Eska TV S.A. and Lemon Records Sp. z o.o. on December 4, 2017, the acquisition of 34.02% and later 15.46% of shares in TV Spektrum Sp. z o.o. on December 4, 2017 and February 2, 2018, respectively, the acquisition of 31.76% of shares of Netia S.A. on December 5, 2017 (following the registration of its share capital decrease on March 14, 2018 the Group holds 32.998% shares in Netia S.A.), the disposal of shares in New Media Ventures Sp. z o.o. on December 8, 2017 and the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018. Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2018 of IFRS 9 and IFRS 15 without the restatement of the comparative figures.

Consolidated balance sheet

	March 31, 2018 *data according to IFRS 15*		December 31, 2017 *data according to IAS 18*	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	797.5	189.5	1,172.0	278.5
Assets	27,894.4	6,628.1	27,756.0	6,595.2
Non-current liabilities	12,062.0	2,866.1	11,723.7	2,785.7
Non-current financial liabilities	10,457.2	2,484.8	10,285.7	2,444.0
Current liabilities	2,927.4	695.6	3,915.5	930.4
Current financial liabilities	605.2	143.8	1,394.1	331.3
Equity	12,905.0	3,066.4	12,116.8	2,879.1
Share capital	25.6	6.1	25.6	6.1

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

Consolidated cash flow statement

	for the 3-month period ended			
	March 31, 2018 *data according to IFRS 15*		March 31, 2017 *data according to IAS 18*	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	570.0	136.3	751.7	179.8
Net cash used in investing activities	(255.4)	(61.1)	(159.2)	(38.1)
Net cash used in financing activities	(689.6)	(164.9)	(348.2)	(83.3)
Net increase in cash and cash equivalents	(375.0)	(89.7)	244.3	58.4

Consolidated income statement

	for the 3-month period ended			
	March 31, 2018 *data according to IFRS 15*		March 31, 2017 *data according to IAS 18*	
	mPLN	mEUR	mPLN	mEUR
Revenue	**2,345.9**	**561.1**	**2,388.6**	**571.3**
Retail revenue	1,352.2	323.4	1,542.7	369.0
Wholesale revenue	635.9	152.1	562.1	134.4
Sale of equipment	317.5	75.9	248.6	59.5
Other sales revenue	40.3	9.6	35.2	8.4
Total operating cost	**(1,917.1)**	**(458.5)**	**(1,938.2)**	**(463.6)**
Technical costs and cost of settlements with telecommunication operators	(504.5)	(120.7)	(468.2)	(112.0)
Depreciation, amortization, impairment and liquidation	(454.5)	(108.7)	(472.3)	(113.0)
Cost of equipment sold	(272.5)	(65.2)	(323.6)	(77.4)
Content costs	(269.4)	(64.4)	(264.3)	(63.2)
Distribution, marketing, customer relation management and retention costs	(205.2)	(49.1)	(211.1)	(50.5)
Salaries and employee-related costs	(143.8)	(34.4)	(127.8)	(30.6)
Cost of debt collection services and bad debt allowance and receivables written off	(11.9)	(2.8)	(19.3)	(4.6)
Other costs	(55.3)	(13.2)	(51.6)	(12.3)
Other operating income, net	**6.7**	**1.7**	**6.8**	**1.6**
Profit from operating activities	**435.5**	**104.2**	**457.2**	**109.3**
Gain/(loss) on investment activities, net	(3.4)	(0.8)	30.5	7.3
Financial costs	(72.6)	(17.4)	(185.5)	(44.4)
Share of the profit of joint venture accounted for using the equity method	5.2	1.2	-	-
Gross profit for the period	**364.7**	**87.2**	**302.2**	**72.3**
Income tax	(72.5)	(17.3)	(30.8)	(7.4)
Net profit for the period	**292.2**	**69.9**	**271.4**	**64.9**
Net profit attributable to equity holders of the Parent	300.8	71.9	279.4	66.8
Net loss attributable to non-controlling interest	(8.6)	(2.1)	(8.0)	(1.9)
Basic and diluted earnings per share in PLN (not in millions)	**0.46**	**0.11**	**0.42**	**0.10**
Weighted number of issued shares	639.546.016		639.546.016	

Other consolidated financial data

	for the 3-month period ended			
	March 31, 2018 data according to IFRS 15		March 31 2017 *data according to IAS 18*	
	mPLN	mEUR	mPLN	mEUR
EBITDA (1)	890.0	104.2	929.5	222.3
EBITDA margin	37.9%	37.9%	38.9%	38.9%
EBIT margin	18.6%	18.6%	19.1%	19.1%
Capital expenditures(2)	174.4	41.7	172.1	41.2

(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 represent payments for our investments in property, plant and equipment and intangible 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. Characteristics of Polsat Group

1.1. Composition and structure of the Group

The following table presents the organizational structure of Polsat Group as at March 31, 2018 and December 31, 2017, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2018	December 31, 2017
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%
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%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	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	telecommunication activities	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	TV broadcasting	100%	100%
Muzo.fm Sp. z o.o.	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%
Eileme 1 AB (publ)(1)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial 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 61 A, 04-028 Warsaw	telecommunication 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 rights management and rental	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2018	December 31, 2017
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%
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	call center and premium-rate services	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	finance activities	(2)	(2)
Litenite Ltd.	Kostaki Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	100%
Aero2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
AltaLog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
ESKA TV S.A.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Lemon Records Sp. z o.o.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Coltex ST Sp. z o.o.(3)	Szymanowskiego 2, 80-280 Gdańsk	telecommunication activities	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%
TV Spektrum Sp. z o.o.	Dęblińska 6, 04-187 Warsaw	television broadcasting and production	49,48%	34,02%
Netia S.A.(4)	Poleczki 13, 02-822 Warsaw	telecommunication activities	32.998%	31,76%

(1) The company was merged with Cyfrowy Polsat S.A. on April 28, 2018.
(2) Cyfrowy Polsat owns indirectly 100% of certificates.
(3) Consolidated since March 1, 2018 following the acquisition of 100% of its shares by the Group.
(4) As at the date of publication of this Report the tender offer has not been finalized. Changes in ownership of Netia S.A. shares between December 31, 2017 and March 31, 2018 result from the registration by the court on March 14, 2018 of a decrease in Netia S.A.'s share capital.

Additionally, the following entities were included in the consolidated financial statements for the three-month period ended March 31, 2018:

Company	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2018	December 31, 2017
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	1.5%(2)	1.5%(2)
Premium Mobile S.A.	Gintrowskiego 31, 02-697 Warsaw	telecommunication activities	1%	-

(1) Investment accounted for at cost less any accumulated impairment losses.
(2) AltaLog Sp. z o.o. holds a 2.3% share in voting rights in InPlus Sp. z o.o.

Changes in the organizational structure of Polsat Group and their effects

From January 1, 2018 until the date of approval of this Report, i.e. May 9, 2018, the following changes were implemented in the structure of Polsat Group. These changes are the effect of acquisitions and the systematically executed process of simplifying the capital structure of the Group. The changes in the Group's structure entail, among other things, improved efficiency of financial management on the consolidated level through the simplification and streamlining of intragroup financial flows and the elimination of redundant costs. What is more, they translate into greater credibility and transparency of Polsat Group, which in turn has a positive influence on the possibilities of obtaining and using external debt financing.

Date	Description
January 12, 2018	Acquisition of 1% of shares in Premium Mobile S.A.
February 2, 2018	Acquisition of 15.46% of shares in TV Spektrum Sp. z o.o. (total shareholding increased to 49.48%).
March 1, 2018	Acquisition of 100% of shares in Coltex ST Sp. z o.o.
April 28, 2018	Registration of the cross-border merger by acquisition of Cyfrowy Polsat with Eileme 1 AB (publ).

1.2. Shareholders with qualifying holdings of shares of the Company

The following table presents shareholders of Cyfrowy Polsat S.A. holding – according to our best knowledge – at least 5% of votes at the General Meeting of Cyfrowy Polsat S.A. as at the date of approval of this Report, that is May 9, 2018. 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 (as amended, Journal of Law 2018 item 512).

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	**366,720,780**	**57.34%**	**540,267,031**	**65.97%**
Reddev Investments Limited (1)	298,656,832	46.70%	472,203,153	57.66%
Embud2 Sp. z o.o. Sp. K.A.	58,000,000	9.07%	58,000,000	7.08%
Karswell Limited	10,000,000	1.56%	10,000,000	1.22%
Argumenol Investment Company Limited	63,948	0.01%	63,948	0.01%
Others	**272,825,236**	**42.66%**	**278,696,486**	**34.03%**
Total	**639,546,016**	**100.00%**	**818,963,517**	**100.00%**

(1) An entity controlled indirectly by Mr. Zygmunt Solorz through TiVi Foundation.

Changes in the structure of ownership of qualified holdings of shares of the Company

Since the publication of the previous interim report, i.e. since March 22, 2018 (annual report for the financial year 2017) until the date of approval of this Report, i.e. May 9, 2018, the below described changes in the structure of ownership of significant packages of the Company's shares took place.

On April 26, 2018 Karswell disposed of and Reddev, an entity controlled by TiVi Foundation, acquired 123,411,161 ordinary bearer shares of Cyfrowy Polsat, constituting 19.30% of the share capital of the Company and carrying the right to 123,411,161 votes at the General Meeting of the Company, representing 15.07% of the total number of votes at the General Meeting of the Company.

Prior to the above mentioned transaction, Karswell held directly 133,411,161 ordinary bearer shares of Cyfrowy Polsat, constituting 20.86% of the share capital of the Company and carrying the right to 133,411,161 votes at the General Meeting of the Company, representing 16.29% of the total number of votes at the General Meeting of the Company. Following the transaction, Karswell holds directly 10,000,000 ordinary bearer shares of Cyfrowy Polsat, constituting 1.56% of the share capital of the Company and carrying the right to 10,000,000 votes at the General Meeting of the Company, representing 1.22% of the total number of votes at the General Meeting of the Company.

Prior to the above mentioned transaction, TiVi Foundation held indirectly and Reddev held directly 175,245,671 shares of Cyfrowy Polsat, constituting 27.40% of the share capital of the Company and carrying the right to 348,791,922 votes at the General Meeting of the Company, representing 42.59% of the total number of votes at the General Meeting of the Company. The above shares consisted of:

(i) 173,546,251 registered, privileged with respect to votes shares of Cyfrowy Polsat, constituting 27.14% of the share capital of the Company and carrying the right to 347,092,502 votes at the General Meeting of the Company, representing 42.38% of the total number of votes at the General Meeting of the Company, and

(ii) 1,699,420 ordinary bearer shares of Cyfrowy Polsat, constituting 0.26% of the share capital of the Company and carrying the right to 1,699,420 votes at the General Meeting of the Company, representing 0.21% of the total number of votes at the General Meeting of the Company.

Following the transaction, TiVi Foundation holds indirectly, and Reddev holds directly, 298,656,832 shares of Cyfrowy Polsat, constituting 46.70% of the share capital of the Company and carrying the right to 472,203,083 votes at the General Meeting of the Company, representing 57.66% of the total number of votes at the General Meeting of the Company. The above shares consist of:

(i) 173,546,251 registered, privileged with respect to votes shares of Cyfrowy Polsat, constituting 27.14% of the share capital of the Company and carrying the right to 347,092,502 votes at the General Meeting of the Company, representing 42.38% of the total number of votes at the General Meeting of the Company, and

(ii) 125,110,581 ordinary bearer shares of Cyfrowy Polsat, constituting 19.56% of the share capital of the Company and carrying the right to 125,110,581 votes at the General Meeting of the Company, representing 15.28% of the total number of votes at the General Meeting of the Company.

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

To the Company's best knowledge members of the Management Board did not hold any shares of the Company, directly or indirectly, as at the date of approval of this Report, i.e. May 9, 2018 as well as at the date of publication of the previous interim report, i.e. March 22, 2018 (annual report for the financial year 2017).

To the Company's best knowledge, as at the date of approval of this Report, i.e. May 9, 2018, as well as at the date of publication of the previous interim report, i.e. March 22, 2018 (annual report for the financial year 2017), Mr. Aleksander Myszka, Member of the Supervisory Board, held directly 50,000 shares of the Company with the nominal value of PLN 2,000.00 while the remaining Members of the Supervisory Board did not hold, directly or indirectly, any shares of the Company.

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 in the country. We are also one of Poland's leading private broadcasters in terms of both audience and advertising market shares. We offer a complete package of multimedia services designed for the entire family: pay TV via satellite, terrestrial and online broadcasting, mobile telephony and data transfer services, as well as mobile broadband access in LTE and LTE-Advanced technologies. We also provide a wide array of wholesale services to other mobile networks, television operators and broadcasters.

We operate in two business segments: segment of services to individual and business customers, and broadcasting and television production.

In the segment of services to individual and business customers we provide the following services: digital television transmission signal, Internet access, mobile TV, video online, mobile services, wholesale services for other telecommunications operators as well as sales of telecommunication equipment and production of set-top boxes. As at March 31, 2018 we had over 5.7 million contract customers and companies from our Group provided a total of nearly 16.6 million active services, including 13.8 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 broadcast on television channels in Poland.

2.1. Segment of services to individual and business customers

Pay TV

Cyfrowy Polsat is 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, providing satellite TV services to about 3.5 million subscribers. We actively expand our pay TV offer by adding additional services, such as Multiroom or paid video online subscriptions, providing almost 5.1 million pay TV services as at March 31, 2018.

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 about 180 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 80 HD channels and also provide OTT services, such as Cyfrowy Polsat GO, VOD/PPV, online TV, catch-up TV and Multiroom HD services.

Currently, we are the only operator in Poland to offer our customers high quality set-top boxes manufactured in our plant in Mielec. We systematically develop the software of our set-top boxes and improve their functionality, so as to better address the changing consumer preferences and video consumption trends. In the first quarter of 2018 the set-top boxes manufactured by us constituted about 94% of all set-top boxes sold or leased to our pay TV customers.

Online video

The online television IPLA 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, as well as in terms of the volume of available content. IPLA also enjoys one of the leading positions in terms of the number of users and the average time spent by a single user on watching streamed content.

IPLA online television offers the largest database of legal video content and live broadcasts and 100 online TV channels, an average of about 200 hours of live coverage of major national and international sports events every month, a vast and regularly expanded library of feature films, TV series and television programs provided by both Polish and international licensors. 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 87% of IPLA VOD content is available free of charge, whereas advertisements constitute the source of revenue.

Access to video materials and channels via the Internet is based on one of three models. The first is a pay model, where a customer makes a fixed payment for the right to access a given video material. The second model consists in access to a package of video materials and channels in exchange for a periodic (e.g. monthly) fee. The third model is based on free access in exchange for viewing advertisements. Approximately 80% of IPLA's total revenue is generated by the advertisement-based model, while about 20% is derived from the purchase of access to content made by users.

Thanks to the http://www.ipla.tv website and dedicated applications the content of IPLA online television is available on a wide array of consumer devices, including computers with Windows, mobile devices powered by iOS, Android and Windows Phone, TV sets with internet connections (Samsung, LG, Sony, Panasonic, Philips, Sharp, Ikea, Toshiba, Thomson, TCL), set-top boxes (cable TV TOYA, Netia), game consoles (PlayStation 3) and Blu-ray. In February 2018, we refreshed our IPLA website by introducing changes which made the service even more user-friendly and adjusted to users' needs.

Moreover, since 2009 we have been offering to our satellite TV customers an access to the video on demand (VOD) "Home Film Rental" service which allows paid access to the latest novelties and film hits through a decoder. The service does not require any additional technological solutions and is available, solely to the customers owing a HD decoder, via a TV set.

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 March 31, 2018 we provided over 9.5 million mobile telephony services under both the postpaid and prepaid models.

We offer a comprehensive array of mobile telecommunications services under the established umbrella brand "Plus" and our additional brand "Plush," as well as under the brands of companies belonging to Aero2 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 and comprehensive convergent telecommunication services for large businesses. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones, including devices which support LTE and LTE-Advanced technologies. 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 allow 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 significant feature for a significant group of consumers. In 2017, our LTE Internet and HSPA/HSPA+ Internet covered nearly 100% of Poland's population. Since 2016 we have been offering our customers services in the LTE-Advanced technology which were available to over 54% of Poles at the end of 2017. This technology is being successively developed, as demonstrated by our launch of the 256 QAM modulation, which allows for increased transmission speed by 33% while using the same radio band. As at March 31, 2018, we provided nearly 2.0 million broadband Internet access services, mostly in the contract model.

We also provide a comprehensive array of mobile broadband access services to both residential and business customers under two alternative brands: Plus and Cyfrowy Polsat. We offer broadband Internet in the contract and prepaid model. Moreover, thanks to our LTE Internet access service combined with the set Home LTE Internet we can offer customers a product that constitutes a substitute for fixed-line Internet. Additionally, pursuant to the provisions of the concession related to the purchase of the 2.6 GHz band, our subsidiary Aero2 provides free of charge Internet access services, however with limited parameters (BDI offer).

Our offering is complemented by a portfolio of dedicated devices (modems, routers, tablets, laptops, ODU-IDU sets, etc.), that support LTE and LTE-Advanced technologies. 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 on the Polish media and telecommunications market. In keeping with the rapidly changing market environment and consumer expectations, we consistently implement our multiplay 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, banking and insurance services or sale of electric energy and gas. These services can be combined freely on an as-needed basis. Our broad range of bundled services is offered through a diverse array of digital entertainment and communication platforms, such as television sets, mobile handsets, computers and tablets.

As part of our strategy of integrating products and services, Polsat Group promotes its unique savings programs - smartDOM and smartFIRMA - which enable profitable bundling of modern services for the home or company. Our bundled services offer is based on a simple and flexible mechanism - a customer subscribed to one service receives an attractive discount for the entire term of the contract for every additional product or service purchased from the Group's portfolio. Our customers can combine flexibly products such as satellite TV, broadband LTE Internet, telephony, banking and insurance services, energy and gas, home security services or supplies of telecommunications and electronics equipment, saving on each added service or product.

Wholesale business

As part of our wholesale business we provide services to other telecommunication operators. These services include network interconnection, traffic transit, national and international roaming, services to MVNOs, shared access to network assets and lease of network infrastructure.

Network interconnection

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

Shared access to network assets and lease of telecommunications infrastructure

As a consequence of significant capital expenditures in the past our 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 services to foreign mobile operators that allow the customers of foreign mobile telecommunications network operators to use mobile telecommunications services 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 customers 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 local operators with 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, 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 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 24 channels (17 available in HD) including our flagship channel POLSAT, available in SD and HD formats and 23 thematic channels.

The main channel 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 share in the commercial audience group, totaling 11.9% in the first quarter of 2018. POLSAT broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2) and on local multiplexes (MUX-L4 and MUX-TVS). Apart from terrestrial signal, POLSAT is also available in SD and HD formats in most cable networks and satellite platforms. The channel features a broad selection 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 cable or satellite (pay) 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 broadcasts.
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 Leagues.
Polsat Sport News HD	Sports channel dedicated to sports news. Broadcast within the DTT technology until January 1, 2017, since January 2, 2017 available only from cable and satellite networks.
Polsat Sport Fight HD	Channel dedicated to martial arts, broadcasting, among others, professional boxing galas and mixed martial arts, 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 Cafe HD	Channel dedicated to women focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series.
Polsat 2 HD	Channel broadcasting reruns of programs that premiered on our other channels.
Polsat News HD	24-hour news channel broadcasting live shows and covering primarily news from Poland and key international events.
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.
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.
TV6 HD	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.

Thematic channel	Description
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 form the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.
Super Polsat **Super Polsat HD**	Channel offering entertainment and information programs, movies, series and live sports coverage. Available in digital terrestrial television.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.
Eska TV **Eska TV HD**	Music and entertainment channel broadcasting the latest music clips, exclusive interviews, gossips about show biz stars and information about musical events. Available in digital terrestrial television
Eska TV Extra **Eska TV Extra HD**	Channel broadcasting recent hits on time and the greatest pop music hits from the recent 20 years.
Eska Rock TV	Channel offering music defined as mainstream pop-rock, classic rock and alternative rock.
Polo TV	Channel broadcasting the greatest hits of disco polo and dance, reports from the most famous festivals of disco dance, concerts and euro disco hits, italo disco and dance music from the 80s and the 90s. Available in the DTT technology.
Vox Music TV	Music and entertainment channel broadcasting disco hits from the 80s and the 90s, italo disco, euro dance and disco polo. The channel's programming offer includes also programs devoted to pop stars and hit lists.
Channels cooperating with Cyfrowy Polsat Group (non-consolidated)	
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 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.
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
Focus TV	Thematic channel of an educational and cognitive character, addressed to an entire family, broadcasted in DDT technology. Main thematic sections are knowledge, documentary and entertainment. Fokus TV's mission is to convey knowledge through fun and in an accessible way.
Nowa TV	TV station of a universal character. It airs lifestyle programs, series, news, journalistic shows and cabaret skits. Available in the DTT technology.

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on data from Starcom we estimate that in the first quarter of 2018 Polsat Group channels captured 26.9% of the Polish TV advertising market worth approximately PLN 1.0 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 in specific parts 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 using the IPTV technology (Orange Polska S.A., Netia S.A.). Our agreements with third-parties provide for a non-exclusive license of a specific duration to distribute our channels. The agreements also provide for monthly licensing fees, charged as the product of the contractual rate and the number of customers, or as fixed fees.

3. SIGNIFICANT EVENTS

3.1. Corporate events

Changes in the shareholding structure

On January 30 and 31, 2018, the Company received notifications issued pursuant to Article 69 of the Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies, containing information on changes in the shares of votes at the General Meeting of the Company held its significant shareholders.

As a result of the disposal of 16,577,107 ordinary bearer shares of the Company by Karswell on January 26, 2018 and the acquisition by Reddev from Sensor of 21,041,375 registered, privileged with respect to votes shares of Cyfrowy Polsat on January 29, 2018, shares of votes at the General Meeting of the Company held directly by the above mentioned entities have changed, as have the shares of votes at the General Meeting of the Company held indirectly by entities controlling these companies. In particular, as a result of the concluded transactions the indirect engagement of Mr. Zygmunt Solorz increased to 57.34% of the share capital of the Company, representing 65.97% of the total number of votes at the General Meeting of the Company. Prior to the transactions, Mr. Zygmunt Solorz held indirectly 56.64% of the share capital of the Company, representing 62.85% of the total number of votes at the General Meeting of the Company.

Details regarding the changes in the structure of ownership of significant numbers of shares of the Company are presented in the Company's current report no. 7/2018 dated January 31, 2018.

Furthermore, on April 27, 2018 the Company received notifications issued pursuant to Article 69 of the Act of July 29, 2005 on public offering and the conditions of introducing financial instruments to an organized system of trading and on public companies from Karswell, Reddev and TiVi Foundation.

As a result of the disposal by Karswell and the acquisition by Reddev of 123,411,161 ordinary bearer shares of Cyfrowy Polsat on April 26, 2018, the shares held directly by these companies in the total number of votes at the General Meeting of the Company, as well as the share held indirectly by TiVi Foundation, an entity controlling Reddev, changed. Following the concluded transaction, Reddev's direct and TiVI Foundation indirect ownership increased to 46.70% of the share capital of the Company, representing 57.66% of the total number of votes at the General Meeting of the Company, while Karswell's ownership decreased to 1.56% of the share capital of the Company, representing 1.22% of the total number of votes at the General Meeting of the Company.

Details regarding the above mentioned changes in the structure of ownership of significant numbers of shares of the Company are presented in item 1.2. of this Report – *Characteristics of Polsat Group – Shareholders with qualifying holdings of shares of the Company - Changes in the structure of ownership of qualified holdings of shares of the Company* as well as in the Company's current reports no. 13/2018 dated April 27, 2018 and no. 14/2018 dated April 27, 2018.

Decision of the Head of the Małopolska Customs and Tax Office in Cracow

On February 15, 2018, the Head of the Małopolska Customs and Tax Office in Cracow (the "Tax Authority") issued a decision assessing a tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 million increased by interest on tax arrears.

The Tax Authority challenged the Company's right to an exemption from the obligation to withhold income tax on certain interest payments effected in 2012.

The decision in question is neither final nor enforceable. The Company appealed against the decision of the Tax Authority on the basis of possessed opinions issued by renowned consulting entities and did not create any provisions encumbering its financial results.

Moreover, the Tax Authority is performing control activities in the same area in relation to 2013 and 2014. If an unfavorable and, in the opinion of the Company, incorrect interpretation of tax regulations relating to disputed matter is upheld, the Tax Authority may issue a decision determining additional tax liabilities of the Company in that respect for 2013 and 2014.

Conclusion of an amendment to the Combined SFA

On March 2, 2018, the Company, acting as the Obligors' Agent, and UniCredit Bank AG, London Branch, acting as the Finance Parties' Agent, executed the Second Amendment and Restatement Deed to the Facilities Agreement of September 21, 2015, amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015.

The Second Amendment and Restatement Deed introduced, among others, amendments relating to the termination date of the Term Facility Loan and the Revolving Facility Loan, by changing to September 30, 2022 (originally falling on September 21, 2020) and the level of the ratio of consolidated net debt to consolidated EBITDA, upon achieving of which the Company may request the release of security established in connection with the Facilities Agreement (excluding the release of guarantees granted pursuant to the Facilities Agreement) or after exceeding of which the Company shall re-establish the released security, by revising it to 3.00:1 (originally 1.75:1). Details regarding the Facilities Agreement and changes introduced by the Second Amendment and Restatement Deed are presented in item 4.3.5. of this Report - *Operating and financial review of Polsat Group – Review of our financial situation – Liquidity and capital resources – Material financing agreements executed by the Group*.

3.2. Business related events

Acquisition of a stake in Netia S.A.

On November 29, 2017 the Management Board of the Company took a decision on effecting the acquisition transaction of a controlling block of shares in Netia accounting for not more than 66% of the total number of votes at the General Meeting of Netia for the total amount of PLN 1.33 billion. The transaction was split into two stages.

The first stage, executed on December 4 and 5, 2017, consisted in the Company purchasing in aggregate a block of shares representing 32.998% of the total number of votes at the Netia General Shareholders Meeting (following the registration of a decrease in Netia's share capital on March 14, 2018).

In the second stage, initiated on December 5, 2017, the Company announced a tender offer for the sale of Netia shares (the "Tender Offer"). After the condition precedent reserved in the Tender Offer was satisfied on March 14, 2018, that is after the resolution on the decrease of Netia's share capital was adopted and then registered by the competent registry court, the Tender Offer concerns 110,702,444 shares of Netia, representing 33% of the share capital of Netia and 33% of the total number of votes at the General Meeting of Netia. The Tender Offer price for one share of Netia is PLN 5.77. The subscription period began on January 30, 2018. The Tender Offer subscription period was prolonged twice, that is until April 9, 2018 and later until May 14, 2018 inclusive, due to the ongoing process of obtaining an unconditional consent from the President of the Office of Competition and Consumer Protection to take control of Netia.

More information regarding the acquisition of a controlling stake in Netia is presented in item 4.3. of the Annual Report of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2017 published on March 22, 2018.

Agreement with Karswell Limited

Provisions of the Combined SFA, concluded on September 15, 2015, permitted companies from Polsat Group to allocate a strictly limited amount of funds to acquisitions. Due to those restrictions, which were binding as at the date of the announcement of the Tender Offer, under the Tender Offer Netia shares will be acquired by the Company and its affiliate – Karswell Limited. After the condition precedent reserved in the Tender Offer was satisfied on March 14, 2018, that is after the resolution on the decrease of Netia's share capital was adopted and then registered by the competent registry court, as a result of the Tender Offer Karswell intends to acquire no more than 76,040,399 shares of Netia carrying the right to 76,040,399 votes at the General Meeting of Netia, representing 22.67% of the total number of votes at the General Meeting of Netia and 22.67% of the share capital of Netia.

In this respect, on December 5, 2017 the Company and Karswell concluded the Agreement on the Joint Acquisition of Shares in a Tender Offer and Preliminary Share Purchase Agreement (the "**Acquirers' Agreement**"). Immediately after the conditions precedent for the Acquirers' Agreement have been satisfied, i.e. specifically immediately after amending the Combined SFA or its replacement with other financing agreements in a manner making it possible for the Company to acquire all shares under the Tender Offer, Karswell shall sell to the Company all the shares acquired for the price paid by Karswell for shares under the Tender Offer. Karswell shall receive an additional premium for the period between the settlement date on which Karswell acquired the last share under the Tender Offer and the date on which the shares acquired by Karswell under the Tender Offer will be sold to the Company (the "**Interim Period**") in an amount equivalent to the average weighted cost of financing of the Company's Capital Group provided by financial institutions, prorated to the specific portion of the price paid by Karswell for shares under the Tender Offer for each day of the Interim Period. The premium is intended to compensate the burden related to committing Karswell's capital to the Tender Offer.

Additionally, during the Interim Period Karswell shall exercise the voting rights attached to the Netia shares acquired in the Tender Offer as instructed by the Company. Other significant terms and conditions of the Acquirer's Agreement are summarized in the Tender Offer document.

Acquisition of sports rights by Telewizja Polsat

In January 2018, Telewizja Polsat prolonged an agreement with the International Volleyball Federation FIVB and, as a result will broadcast the most important events in world and national team volleyball during the next seven years. The package of acquired rights includes the Volleyball Nations League (replacing the men's World League and women's Grand Prix) – 260 matches in total during the season and qualifying tournaments to the Volleyball Nations League, Challenger Cup/Match, qualifying tournaments to the 2020 and 2024 Olympic Games, men's and women's 2022 World Championship, and 2019 and 2023 World Cup.

New smartDOM edition

In February 2018, we launched a refreshed edition of our strategic bundled offer, the smartDOM program, which comprises a portfolio of products and services for each home. Apart from our basic, core products and services: telephony from Plus, broadband LTE Plus and Plus Advances and Cyfrowy Polsat satellite television, smartDOM customers can also buy electric energy and gas, banking, insurance and home security services as well as telecommunication devices. The portfolio of products available in the smartDOM program was expanded to include two new products: digital terrestrial television with 12 encoded TV and 11 radio channels and wireless home telephony.

One of the main, invariable principles of the smartDOM program is the simple relation – the more products and services a customer has, the more he can save thanks to the obtained discounts. At the beginning of 2018 we introduced an important modification by eliminating the entry threshold. Currently, every customer can join the smartDOM program irrespectively of the value of his or her monthly subscription fee. The discount system was also changed – for every additional service from the pay TV (including DTT), mobile or wireless home telephony and broadband Internet offer the customer receives a discount of PLN 10 each month.

In February 2018, we also decided to modify the smartFIRMA program, which currently functions according to similar principles as the smartDOM program.

3.3. Events after the balance date

Decision of the Director of the Revenue Administration Regional Office in Warsaw

On April 30, 2018 the Director of the Revenue Administration Regional Office in Warsaw issued a decision upholding the decision of the Head of the Mazovian Tax Office in Warsaw ("Tax Office") of May 25, 2017 determining the value of a tax obligation in relation to corporate income tax for the year 2011 at a higher level than the declared value, by PLN 40.6 million plus interest on tax arrears. The Company informed of the decision issued by the Tax Office in its current report no. 12/2017 dated May 29, 2017.

In the decision issued on May 25, 2017, the Tax Office contested the Company's right to charge into tax deductible expenses certain expenditures incurred in 2011. The decision was issued in spite of the Company having presented a number of arguments stipulating that the findings of the Tax Office were incorrect and had no legal basis. In particular, the Tax Office disregarded that the Company received an individual tax interpretation confirming the correctness of the Company's operations in the scope covered by the current findings of the Tax Office. The Company has appealed against the decision of the Tax Office to the head of the Treasury Administration Chamber in Warsaw.

The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw in question and intends to appeal against it to the Voivodship Administrative Court.

At present the Company has not created any provisions encumbering its financial results.

4. Operating and financial review of Polsat Group

4.1. Operating review of the Group

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.

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

The Group plans to modify the method of calculating ARPU in the future in order to adjust it to the requirements of IFRS 15. Applying IFRS 15 shall change the allocation between revenue from the sale of the equipment and retail revenue (a higher portion of total compensation shall be attributed to the equipment delivered in advance), which shall result in a decrease of ARPU. When implementing IFRS 15, contract ARPU would amount to PLN 81.9 in the first quarter of 2018, increasing by 2.0% as compared to PLN 80.3 in the first quarter of 2017. A decrease in reported ARPU shall result from allocating a portion of revenue from customers from the item “Retail revenue” to the item “Revenue from the sale of equipment”, without any impact on our daily operations.

	for the 3 month period ended March 31		change / %
	2018	2017	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS			
Total number of RGUs (EOP) (contract + prepaid)	**16,579,337**	**16,216,128**	**2.2%**
Contract services			
Total number of RGUs (EOP), including:	**13,796,153**	**13,337,038**	**3.4%**
Pay TV, including:	4,984,391	4,785,947	4.1%
Multiroom	*1,114,833*	*1,031,294*	*8.1%*
Mobile telephony	6,997,850	6,785,002	3.1%
Internet	1,813,912	1,766,089	2.7%
Number of customers (EOP)	**5,743,832**	**5,847,401**	**(1.8%)**
ARPU per customer [PLN]	88.7	89.1	(0.4%)
Churn	8.5%	8.5%	
RGU saturation per one customer	2.40	2.28	5.3%
Average number of RGUs, including:	**13,741,811**	**13,313,971**	**3.2%**
Pay TV, including:	4,963,830	4,781,680	3.8%
Multiroom	*1,108,316*	*1,029,294*	*7.7%*
Mobile telephony	6,963,584	6,769,379	2.9%
Internet	1,814,397	1,762,912	2.9%
Average number of customers	**5,760,338**	**5,872,517**	**(1.9%)**
Prepaid services			
Total number of RGUs (EOP), including:	**2,783,184**	**2,879,090**	**(3.3%)**
Pay TV	75,159	48,224	55.9%
Mobile telephony	2,539,402	2,646,477	(4.0%)
Internet	168,623	184,389	(8.6%)
ARPU per prepaid RGU [PLN]	20.1	18.7	7.5%
Average number of RGUs, including:	**2,789,695**	**3,050,604**	**(8.6%)**
Pay TV	58,222	48,659	19.7%
Mobile telephony	2,558,174	2,800,366	(8.6%)
Internet	173,299	201,579	(14.0%)
BROADCASTING AND TELEVISION PRODUCTION SEGMENT			
Audience share	23.9%	23.6%	0.3 p.p.
Advertising market share	26.9%	25.6%	1.3 p.p.

4.1.1. Segment of services to individual and business customers

As at March 31, 2018, in the segment of services to individual and business customers our Group provided a total of 16,579,337 services in the contract and prepaid models, which represents 2.2% growth YoY. It is worth emphasis that the share of contract services in the total number of services that we provide is growing consistently, and has reached the level of 83.2% at the end of the first quarter of 2018, as compared to 82.2% recorded at the end of the fourth quarter of 2017. In the first quarter of 2018 we recorded a YoY growth in the number of all our core services provided in the contract model, i.e. pay TV, mobile telephony services, and mobile broadband. At the same time, following several quarters of pressure resulting from the entry into force of legal regulations obligating customers of all mobile networks to register prepaid SIM cards, we observe stabilization of the number of provided prepaid services at high growth dynamics of ARPU.

Contract services

As at March 31, 2018, we provided contract services to a total of 5,743,832 customers, i.e. 1.8% less compared to 5,847,401 customers the Group had as at March 31, 2017. The main reason behind the decline of the contract customer base was the merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.3% YoY). In line with our strategic assumptions, we avoid conducting an aggressive sales policy on individual products and focus 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 contract services provided by us increased by 459,115 in the last 12 months, that is by 3.4%, to 13,796,153 as at March 31, 2018, from 13,337,038 as at March 31, 2017. We recorded growth in the number of all types of services provided in the contract model. The number of pay TV services provided in the contract model amounted to 4,984,391 as at March 31, 2018, which constitutes an increase by 198,444, or 4.1%, compared to 4,785,947 as at March 31, 2017. This increase is mainly due to the growing popularity of our Multiroom service (YoY increase by over 83 thousand, to over 1.1 million RGUs) and to dynamically increasing sales of paid OTT services. The number of provided mobile telephony services in the contract model increased by 212,848, or 3.1%, reaching the level of 6,997,850 as at March 31, 2018, up from 6,785,002 as at March 31, 2017. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction in February 2018 of new, attractive tariff plans addressed to contract customers. In terms of mobile broadband, as at March 31, 2018, we provided 1,813,912, RGUs in the contract model, that is by 47,823, or 2.7%, more than as at March 31, 2017, when we provided 1,766,089 such services. Slower growth dynamics is associated, among others, with the gradual saturation of the market with dedicated mobile Internet access services and constantly growing use of data transmission in mobile telephony tariff plans (smartphones). As at March 31, 2018, every customer in our base had on average 2.40 contract services, which constitutes an increase of 5.3% compared to 2.28 contract services per customer as at March 31, 2017. 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., selling additional products and services to the customer base of Cyfrowy Polsat and Polkomtel, among others within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In the first quarter of 2018, average revenue per contract customer decreased by 0.4% to PLN 88.7, from PLN 89.1 in the first quarter of 2017. After applying the currently effective IFRS 15 standard, reported contract ARPU amounted to PLN 81.9 in the first quarter of 2018, growing YoY by 2.0% compared to PLN 80.3 in the first quarter of 2017. ARPU dynamics between the analyzed periods continued to be negatively impacted by the levelling of retail roaming charges with domestic fees across the European Economic Area as of June 15, 2017 (the *Roam Like at Home* regulation). We anticipate that this impact will adversely affect the rate of growth of contract ARPU yet in the second quarter of 2018.

Our churn rate amounted to 8.5% in the twelve-month period ended March 31, 2018, remaining unchanged as compared to the corresponding period of 2017. This is primarily the effect of the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy.

Our bundled services offer, based on a mechanism of offering attractive rebates on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. It is also the best recognized convergent offering on the Polish market (according to the GFK survey from January 2018). At the end of March 2018, already 1,571,900 customers were using our bundled services, which constitutes an increase of 246,821 customers, or 18.6%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 27.4% at the end of March 2018. This group of customers had a total of 4,701,181 RGUs, that is by 754,047, or 19.1%, more than in the corresponding period of 2017. In the first quarter of 2018, we lifted entry thresholds for the smartDOM program, thus making our bundled services offering available to all customers on identical terms, which translated positively into the dynamics of growth of our multiplay services customer base and blended ARPU level for the total customer base. Bearing in mind the long-term goal of our Group - the maximization of revenue per contract customer through cross-selling - our bundled services offer is perfectly in line with our strategy.

Prepaid services

The number of prepaid services provided by us as at March 31, 2018 decreased by 95,906, that is by 3.3%, to 2,783,184 from 2,879,090 as at March 31, 2017. The regulation implemented by the policymaker in 2016 imposed an obligation on customers to register newly purchased prepaid SIM cards which led to a significant decline in the number of new activations on the entire market. In parallel, thanks to the continuous unification of prices between tariff plans for the contract and prepaid customers, a significant portion of them decided to use the contract services offering.

In the first quarter of 2018, average revenue per prepaid RGU (prepaid ARPU) increased by 7.5%, to PLN 20.1 from PLN 18.7 in the corresponding period of 2017. High growth dynamics of prepaid ARPU in the first quarter of 2018 was, among other things, due to the expiration of the effect of promotions aimed at encouraging users to register their prepaid cards early and which reduced ARPU in the first quarter of 2017. We expect the stabilization of ARPU in the prepaid services segment in the quarters to come.

4.1.2. Broadcasting and television production segment

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

Audience shares

	3 months ended March 31		*change [%]*
	2018	2017	
Audience share(1) (2), including:	**23.92%**	**23.59%**	***0.33***
POLSAT (main channel)	***11.87%***	***12.70%***	***(0.83)***
Thematic channels	***12.05%***	***10.89%***	***1.16***
TV4	3.82%	3.96%	*(0.14)*
TV6	1.43%	1.68%	*(0.25)*
Polsat 2	1.31%	1.26%	*0.05*
Super Polsat(3)	0.93%	0.76%	*0.17*
Polsat Film	0.70%	0.76%	*(0.06)*
Polsat News	0.66%	0.71%	*(0.05)*
Polsat Play	0.49%	0.55%	*(0.06)*
Polsat Cafe	0.30%	0.42%	*(0.12)*
Disco Polo Music	0.17%	0.17%	-
Polsat Sport	0.16%	0.23%	*(0.07)*
Polsat Romans	0.13%	0.11%	*0.02*
Polsat Sport Extra	0.05%	0.08%	*(0.03)*
Polsat Music HD (4)	0.05%	0.03%	*0.02*
Polsat News 2	0.04%	0.10%	*(0.06)*
Polsat Doku(5)	0.04%	0.05%	*(0.01)*
Polsat Sport Fight(6)	0.04%	0.02%	*0.02*
Polsat Sport News HD(7)	0.03%	0.03%	-
Polsat 1(8)	n/a	n/a	*n/a*
Channels acquired in December 2017(9)			
Polo TV	0.83%	1.07%	*(0.24)*
Eska TV	0.77%	0.09%	*0.68*
Eska TV Extra	0.08%	n/a	*n/a*
Vox Music TV	0.07%	0.06%	*0.01*
Eska Rock TV	0.01%	0.02%	*(0.01)*
Advertising market share(10)	**26.9%**	**25.6%**	***1.3 p.p.***
Channels cooperating with Cyfrowy Polsat Group (non-consolidated)			
Fokus TV	0.96%	0.83%	*0.13*
Nowa TV	0.28%	0.16%	*0.12*
Polsat Viasat History	0.11%	0.15%	*(0.04)*
CI Polsat	0.10%	0.12%	*(0.02)*
Polsat JimJam	0.10%	0.19%	*(0.09)*
Polsat Viasat Explore	0.08%	0.12%	*(0.04)*
Polsat Viasat Nature	0.02%	0.01%	*0.01*

1) Nielsen Audience Measurement, All day ages 16-49 audience share, including Live+2 (viewership results include 2 additional days of time-shifted viewing).
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 in our portfolio.
3) Channel broadcasting in DTT since January 2, 2017, replaced Polsat Sport News.
4) Until May 26, 2017, channel broadcast under the name "MUZO.TV".
5) Channel broadcast since February 10, 2017, data for the broadcasting period.
6) Channel broadcast since August 1, 2016, included in the telemetric panel since January 1, 2017.
7) Channel available only in cable and satellite networks since January 2, 2017 under the name "Polsat Sport News HD".
8) Channel not included in the telemetric panel.
9) Channels included in Polsat Group's portfolio on December 4, 2017, data for the entire analyzed period.
10) Our estimates based on preliminary Starcom data.

The audience share in the commercial group (all viewers aged 16-49, including Live+2, i.e. 2 additional days of time-shifted viewing) for the entire Polsat Group in the first quarter of 2018 amounted to 23.9% an increased by 0.3 p.p. on a year-on-year basis.

The consistently growing audience share of thematic channels, which increased year-on-year by a total of 1.2 p.p. in the first quarter of 2018 to the level of 12.1%, had a positive impact on viewership figures recorded by the entire Group. Comparing the first quarter of 2018 with the corresponding period of 2017, it can be seen that the newly acquired channels - Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV – strongly support the viewership results of our thematic channels. Besides, it is worth mentioning the growing audience share of Super Polsat channel which was launched in January 2017.

In the first quarter of 2018, viewers in the commercial group (all viewers aged 16-49, including Live+2) were attracted by the fixed slots on our main channel's schedule. Premier episodes of the TV series *First Love* turned out to be very popular, gaining an audience share of 17.9%. Monday's film slot *Mega Hit* had an audience share of 15.5%.

The news program broadcast daily at 6.50 p.m., *The News*, maintained high viewership figures with an audience share of 17.2%. The morning block of news and information programs, *New day with Polsat News*, broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 17.9% in the first quarter of 2018.

The results of the first quarter of 2018 were significantly influenced by programs from the season programming. A large audience was gathered by the show *Your Face Sounds Familiar.* The Saturday slots dedicated to this show had an audience share of 15.0%. Another position in our scheduling, the show *Our New House*, gathered on average 13.0% of viewers. The resumed show *Dancing with the Stars* was watched by 15.5% of audience. *Live Cabaret* entertainment series, broadcast on Sunday evenings, had an audience share of 15.3%. The show *The Story of My Life* gained an audience share of 12.9%, and the reality show *Marry me* – 11.2%.

Moreover, it is worth noticing the results of series broadcast in the first quarter of 2018. The series *World According to the Kiepski Family* was popular with an audience share of 12.1%. The spring season of the series *Girlfriends* gained 13.7% in audience share. Another popular series was *In the Heart's Rhythm* with a 12.0% share.

Cabaret and entertainment shows were highly popular in the analyzed period. *The Cabaret Night at Opole – 800 years of Opole* aired on January 7, 2018 was viewed by 20.5% of the audience. The cabaret *Paranienormalni Cabaret - The Joke is Over* of February 18, 2018 gained an 18.2% share while the *Świętokrzyska Cabaret Gala* of January 21, 2018 had a 17.3% share.

Advertising and sponsoring market share

According to preliminary estimates of Starcom media house, expenditures on TV advertising and sponsoring in the first quarter of 2018 amounted to PLN 999 million, increasing year-on-year by 9.6%. Based on these data, we estimate that in the first quarter of 2018 our TV advertising market share increased year-on-year to 26.9% from 25.6%.

If we compare the current portfolio of Polsat Group's channels, we generated 2.9% more GRPs in the first quarter of 2018 compared to the corresponding period of 2017.

Distribution and technical reach

Technical reach(1)	3 months ended March 31		*Change / %*
	2018	2017	
Polsat	100.0%	100.0%	-
TV4	100.0%	99.9%	*0.1*
Eska TV(2)	98.0%	52.4%	*45.6*
Polo TV(2)	97.9%	96.9%	*1.0*
Super Polsat(3)	97.1%	95.7%	*1.4*
TV6	95.8%	95.4%	*0.4*
Polsat 2	62.2%	63.0%	*(0.8)*
Polsat News 2	60.0%	57.3%	*2.7*
Eska TV Extra(2)	58.8%	n/a	*n/a*
Polsat News	55.9%	56.0%	*(0.1)*

Technical reach[1]	3 months ended March 31		Change / %
	2018	2017	
Polsat Cafe	55.2%	55.9%	*(0.7)*
Polsat Film	54.6%	52.5%	*n/a*
Polsat Play	53.3%	50.3%	*3.0*
Polsat Romans	49.7%	46.2%	*3.5*
Disco Polo Music	48.8%	47.6%	*n/a*
Vox Music TV[2]	48.8%	33.7%	*15.1*
Polsat Music HD[4]	48.4%	42.5%	*5.9*
Polsat Sport	46.2%	47.4%	*(1.2)*
Eska Rock TV[2]	39.4%	n/d	*n/a*
Polsat Sport Extra	36.0%	36.0%	-
Polsat Sport News HD[5]	30.7%	25.9%	*4.8*
Polsat Doku[6]	26.4%	21.6%	*4.8*
Polsat Sport Fight[7]	18.4%	11.1%	*7.3*
Polsat 1[8]	n/a	n/a	*n/a*
Channels cooperating with Cyfrowy Polsat Group (non-consolidated)			
Fokus TV	75.5%	61.7%	*13.8*
Nowa TV	97.3%	96.1%	*1.2*
Polsat Viasat History	47.9%	50.6%	*(2.7)*
Polsat JimJam	45.2%	45.6%	*(0.4)*
Polsat Viasat Nature	42.8%	43.9%	*(1.1)*
Polsat Viasat Explore	42.6%	44.4%	*(1.8)*
CI Polsat	40.4%	40.5%	*(0.1)*

1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach.
2) Channel included in Polsat Group's portfolio from December 4, 2017.
3) Channel broadcasting in DTT since January 2, 2017, replaced Polsat Sport News
4) Channel broadcast since May 26, 2017, replaced MUZO.TV.
5) Channel available only in cable and satellite networks since January 2, 2017 under the name "Polsat Sport News HD".
6) Channel broadcast since February 10, 2017, data for the broadcasting period.
7) Channel broadcast since August 1, 2016, included in the telemetric panel since January 1, 2017.
8) Channel broadcast outside of Poland, not included in the telemetric survey.

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. The largest increase in technical reach was observed in case of Eska TV and was due to a change in broadcasting method, i.e., the channel was moved to digital terrestrial television. Besides, when comparing data for the first quarter of 2018 with the corresponding period of 2017 it is worth noticing the increases in reach of other music stations, which took place in the cases of VOX Music and Polsat Music HD. These channels were included recently in the offerings of numerous pay TV operators. Another group with high dynamics is constituted of the newly established stations: Polsat Sport Fight, Polsat Sport News HD, Polsat Doku as well as a little bit older channel - Polsat Romans.

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. Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilized or forfeited. 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;

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

(viii) revenue from Premium rate services.

Sale of equipment

Sale of equipment consists mostly of revenue from sales of smartphones, set-top boxes, STB hard disk drives, antennas, Internet modems, tablets, laptops, routers, mobile handsets, 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 purchases, revenue from the sale of electric energy 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, as well as film production. 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 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 authorized retail points of sale as remuneration for concluded 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 and other equipment 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, accessories and other equipment 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 our financial situation

The following review of results for the three-month period ended March 31, 2018 was prepared based on the interim condensed consolidated financial statements for the three-month period ended March 31, 2018, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analysis.

All financial data presented in this chapter below are expressed in millions of PLN.

Starting from January 1, 2018, the Group is obligated to apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The Group has decided to apply IFRS 15 retrospectively without restating the comparative figures for 2017. In order to ensure full comparability of the data for the three-month periods ended March 31, 2017 and March 31, 2018, financial figures in the income statement for the three-month period ended March 2018 have been presented in two ways: in accordance with the previously binding IAS 18 and in accordance with the newly applied IFRS 9 and IFRS 15. In the Management Board's opinion, when analyzing operational and financial results of the Group year-on-year, above all the comparability of applied accounting standards should be maintained. In particular, comparing the financial results for 2018, presented in accordance with IFSR 9 and IFRS 15, with the financial results for 2017, presented in accordance with the previously binding accounting standard (IAS 18), would lead, in the Management Board's opinion, to drawing the wrong conclusions concerning the Group's financial results.

It should be noted that the financial data for the three-month periods ending March 31, 2018 and March 31 2017 are not fully comparable due to the disposal of LTE Holdings Limited on June 19, 2017, the acquisition of 51% of shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) on September 7, 2017, the acquisition of 100% of shares in Eska TV S.A. and Lemon Records Sp. z o.o. on December 4, 2017, the acquisition of 34.02% and later 15.46% of shares in TV Spektrum Sp. z o.o. on December 4, 2017 and February 2, 2018, respectively, the acquisition of 31.76% of shares of Netia S.A. on December 5, 2017 (following the registration of its share capital decrease on 14 March 2018 the Group holds 32.998% shares in Netia S.A.), the disposal of shares in New Media Ventures Sp. z o.o. on December 8, 2017 and the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018. Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2018 of IFRS 9 and IFRS 15 without the restatement of the comparative figures.

Due to the fact that the results of the above mentioned companies do not have a material impact on the results of the Group, we do not eliminate them when analyzing the Group's financial situation.

4.3.1. Income statement analysis

[mPLN]	Results acc. to IFRS 15	Results acc. to the previously binding IAS 18			
	for the 3 month period ended March 31, 2018	for the 3 month period ended March 31		change	
		2018	2017	[mPLN]	[%]
Revenue	2,345.9	2,360.7	2,388.6	(27.9)	(1.2%)
Total operating cost	(1,917.1)	(1,903.1)	(1,938.2)	35.1	(1.8%)
Other operating income, net	6.7	6.7	6.8	(0.1)	(1.5%)
Profit from operating activities	**435.5**	**464.3**	**457.2**	**7.1**	**1.6%**
Gain/(loss) on investment activities, net	(3.4)	(3.4)	30.5	(33.9)	(111.1%)
Financial costs	(72.6)	(72.6)	(185.5)	112.9	(60.9%)
Share of the profit of joint venture accounted for using the equity method	5.2	5.2	-	5.2	n/d
Gross profit for the period	**364.7**	**393.5**	**302.2**	**91.3**	**30.2%**
Income tax	(72.5)	(78.0)	(30.8)	(47.2)	153.2%
Net profit for the period	**292.2**	**315.5**	**271.4**	**44.1**	**16.2%**
EBITDA	***890.0***	***918.8***	***929.5***	***(10.7)***	***(1.2%)***
EBITDA margin	***37.9%***	***38.9%***	***38.9%***	***-***	***-***

Revenue

In accordance with the previously binding IAS 18, our total revenue decreased by PLN 27.9 million, or 1.2%, to PLN 2,360.7 million in the first quarter of 2018 from PLN 2,388.6 million in the first quarter of 2017. Revenue decreased for the reasons set forth below.

In accordance with IFRS 15, our total revenue amounted to PLN 2,345.9 million in the first quarter of 2018.

[mPLN]	Results acc. to IFRS 15	Results acc. to the previously binding IAS 18			
	for the 3 month period ended March 31, 2018	for the 3 month period ended March 31		change	
		2018	2017	[mPLN]	[%]
Retail revenue	1,352.2	1,470.2	1,542.7	(72.5)	(4.7%)
Wholesale revenue	635.9	635.9	562.1	73.8	13.1%
Sale of equipment	317.5	208.6	248.6	(40.0)	(16.1%)
Other revenue	40.3	46.0	35.2	10.8	30.7%
Revenue	**2,345.9**	**2,360.7**	**2,388.6**	**(27.9)**	**(1.2%)**

Retail revenue

In accordance with the previously binding IAS 18, retail revenue decreased by PLN 72.5 million, or 4.7%, to PLN 1,470.2 million in the first quarter of 2018, from PLN 1,542.7 million in the first quarter of 2017, primarily due to lower revenue from voice services. In particular, the erosion of revenue from voice services resulted from the full implementation of the *Roam Like at Home* regulation, which imposed the levelling of retail roaming charges with domestic charges from June 15, 2017, and the change in the model of offering equipment to retail customers (payment for equipment, previously included in subscription fees, is currently recognized as revenue from sales of equipment under the installment plan model). The decrease in retail revenue was partially compensated by higher revenue from pay TV services.

In accordance with IFRS 15, retail revenue amounted to PLN 1,352.2 million in the first quarter of 2018.

Wholesale revenue

Wholesale revenue increased by PLN 73.8 million, or 13.1%, to PLN 635.9 million in the first quarter of 2018 from PLN 562.1 million in the first quarter of 2017. The increase of wholesale revenue was triggered primarily by higher advertising revenue, resulting from the increased pricing of TV advertising which was observed on the market in the first quarter of 2018 and the simultaneous inclusion of new TV channels to the Group's portfolio as well as higher revenue from interconnection services, which in turn was the result of the increasing volume of traffic exchanged with other networks.

Sale of equipment

In accordance with the previously binding IAS 18, revenue from the sale of equipment decreased by PLN 40.0 million, or 16.1%, to PLN 208.6 million in the first quarter of 2018 from PLN 248.6 million in the first quarter of 2017, which was primarily due to a lower volume of sales of end-user devices, which was also reflected in the lower cost of equipment sold.

In accordance with IFRS 15, revenue from the sale of equipment amounted to PLN 317.5 million in the first quarter of 2018.

Other revenue

In accordance with the previously binding IAS 18, other revenue increased by PLN 10.8 million, or 30.7%, to PLN 46.0 million in the first quarter of 2018 from PLN 35.2 million in the first quarter of 2017. This increase was mainly due to growing revenue from interest on installment plan sales of equipment to residential customers.

In accordance with IFRS 15, other revenue amounted to PLN 40.3 million in the first quarter of 2018.

Operating costs

In accordance with the previously binding IAS 18, our total operating costs decreased by PLN 35.1 million, or 1.8%, to PLN 1,903.1 million in the first quarter of 2018 from PLN 1,938.2 million in the first quarter of 2017. Operating costs decreased for the reasons set forth below.

In accordance with IFRS 15, our total operating costs amounted to PLN 1,917.1 million in the first quarter of 2018.

[mPLN]	Results acc. to IFRS 15	Results acc. to the previously binding IAS 18			
	for the 3 month period ended March 31, 2018	for the 3 month period ended March 31		change	
		2018	2017	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	504.5	504.5	468.2	36.3	7.8%
Depreciation, amortization, impairment and liquidation	454.5	454.5	472.3	(17.8)	(3.8%)
Cost of equipment sold	272.5	258.5	323.6	(65.1)	(20.1%)
Content costs	269.4	269.4	264.3	5.1	1.9%
Distribution, marketing, customer relation management and retention costs	205.2	205.2	211.1	(5.9)	(2.8%)
Salaries and employee-related costs	143.8	143.8	127.8	16.0	12.5%
Cost of debt collection services and bad debt allowance and receivables written off	11.9	11.9	19.3	(7.4)	(38.3%)
Other costs	55.3	55.3	51.6	3.7	7.2%
Operating costs	**1,917.1**	**1,903.1**	**1,938.2**	**(35.1)**	**(1.8%)**

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with telecommunication operators increased by PLN 36.3 million, or 7.8%, to PLN 504.5 million in the first quarter of 2018 from PLN 468.2 million in the first quarter of 2017. This increase resulted mainly from higher costs of purchasing traffic in international roaming, related to a significant increase in the volume of traffic generated by Poles travelling abroad (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs due to a higher volume of calls terminated by our customers in networks of other operators.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs decreased by PLN 17.8 million, or 3.8%, to PLN 454.5 million in the first quarter of 2018 from PLN 472.3 million in the first quarter of 2017, among others due to the termination of the amortization period of certain intangible assets, recognized upon the acquisition of Polkomtel in 2014 (relates to the item "Relations with customers" on the balance sheet), which was partially offset by the shortening of the amortization period of certain tangible assets.

Cost of equipment sold

In accordance with the previously binding IAS 18, the cost of equipment sold decreased by PLN 65.1 million, or 20.1%, to PLN 258.5 million in the first quarter of 2018 from PLN 323.6 million in the first quarter of 2017, as a consequence of a lower volume of sales of end-user devices.

In accordance with IFRS 15, the cost of equipment sold amounted to PLN 272.5 million in the first quarter of 2018.

Content costs

Content costs increased by PLN 5.1 million, or 1.9%, to PLN 269.4 million in the first quarter of 2018 from PLN 264.3 million in the first quarter of 2017. This increase was the result of higher license fees resulting from the growing popularity of "premium" type program packages among our pay TV customers and was partially offset by lower cost of sports licenses in the the TV broadcasting and production segment.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 5.9 million, or 2.8%, to PLN 205.2 million in the first quarter of 2018 from PLN 211.1 million in the first quarter of 2017, among others due to lower distribution and logistics costs following the acquisition of Coltext ST Sp. z o.o. in the first quarter of 2018, formerly an external distributor of Polsat Group's products and services, which was reflected in insourcing of Coltex's employees. Moreover, we have recorded a decrease in commissions related to the sale of prepaid services.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 16.0 million, or 12.5%, to PLN 143.8 million in the first quarter of 2018 from PLN 127.8 million in the first quarter of 2017, due to, among others, concluded acquisitions and the related increase in Group's headcount as well as an increase in the average salary per employee (including a bonus provision).

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

Cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 7.4 million, or 38.3%, to PLN 11.9 million in the first quarter of 2018 from PLN 19.3 million in the first quarter of 2017, among others due to a lower cost of write-offs on off-billing receivables.

Other costs

Other costs increased by PLN 3.7 million, or 7.2%, to PLN 55.3 million in the first quarter of 2018 from PLN 51.6 million in the first quarter of 2017, among others due to the incurred cost of licenses sold which were related to film productions supported by Cyfrowy Polsat Group.

Other operating income and costs, net

Other net operating income amounted to PLN 6.7 million in the first quarter of 2018 and remained practically at the same level compared to PLN 6.8 million in the first quarter of 2017.

Gains/(losses) on investment activities, net

Net losses on investment activities amounted to PLN 3.4 million in the first quarter of 2018, compared to net gains on investment activities of PLN 30.5 million in the first quarter of 2017. This was, among other things, the effect of foreign exchange losses related to the valuation of UMTS license liabilities, caused by the depreciation of the PLN versus the EUR in the first quarter of 2018, while in the comparative period the PLN appreciated strongly versus the EUR which resulted in the recognition of foreign exchange gains.

Finance costs

Finance costs amounted to PLN 72.6 million in the first quarter of 2018 and decreased by PLN 112.9 million, or 60.9%, compared to PLN 185.5 million in the first quarter of 2017. This decrease was caused, among others, by lower interest expenses on loans and borrowings, resulting from repayments of the Combined SFA according to schedule and a lower margin related to a lower level of indebtedness, as well as our Group's consistent policy of deleveraging. Furthermore, in April 2017 we executed the early redemption of the Litenite Notes, which was associated with a one-time premium reflected in higher financial costs for the first quarter of 2017. In turn, in March 2018 we renegotiated the terms and conditions of the Combined SFA which resulted, among others, in extending the agreement's term. This resulted in a one-time non-cash reduction of finance costs in the first quarter of 2018 due to extending the amortization period of costs related to acquisition of financing incurred in 2015.

Net profit

In accordance with the previously binding IAS 18, as a result of changes mentioned above net profit increased by PLN 44.1 million, or 16.2%, to PLN 315.5 million in the first quarter of 2018 from PLN 271.4 million in the first quarter of 2017.

In accordance with IFRS 15, net profit amounted to PLN 292.2 million in the first quarter of 2018.

EBITDA and EBITDA margin

In accordance with the previously binding IAS 18, EBITDA decreased by PLN 10.7 million, or 1.2%, to PLN 918.8 million in the first quarter of 2018 from PLN 929.5 million in the first quarter of 2017. In the first quarter of 2018 we observed a declining adverse effect on EBITDA dynamics of the *Roam Like at Home* regulation, which resulted in a decrease in the margin on provided international roaming services by ca. PLN 25 million YoY.

In accordance with IFRS 15, EBITDA was PLN 890.0 million and EBITDA margin was 37.9% in the first quarter of 2018.

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, amounted to 4,829 full-time equivalents (FTE) in the first quarter of 2018, i.e., by 56 FTE or 1.2%, compared to 4,773 FTE in the corresponding period of 2017, among others due to concluded acquisitions.

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. The operating segments also represent reportable segments of the Group.

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 (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 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;

- sale of electric energy and other media to retail customers.

The 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. 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 3 months ended March 31, 2018:

3 months ended March 31, 2018 (unaudited) *IFRS 15 basis* **[mPLN]**	**Services to individual and business customers**	**Broadcasting and television production**	**Consolidation adjustments**	**Total**
Revenues from sales to third parties	2,036.8	309.1	-	2,345.9
Inter-segment revenues	12.6	40.5	(53.1)	-
Revenues	**2,049.4**	**349.6**	**(53.1)**	**2,345.9**
EBITDA (unaudited)	**755.0**	**135.0**	**-**	**890.0**
Depreciation, amortization, impairment and liquidation	444.3	10.2	-	454.5
Profit from operating activities	**310.7**	**124.8**	**-**	**435.5**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	191.2*	9.4	-	200.6
Balance as at March 31, 2018 (unaudited)				
Assets, including:	23.279,4	4,677.3**	(62.3)	**27,894.4**
Investments in joint venture	-	5.9	-	5.9

* 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 12.1 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the three-month periods ending March 31, 2018 and March 31 2017 allocated to the "Services to individual and business customers" segment are not fully comparable due to the disposal of LTE Holdings Limited on June 19, 2017, the acquisition of 51% of shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) on September 7, 2017, the acquisition of 31.76% of shares of Netia S.A. on December 5, 2017 (following the registration of its share capital decrease on March 14, 2018 the Group holds 32.998% shares in Netia S.A.), the disposal of shares in New Media Ventures Sp. z o.o. on December 8, 2017 and the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018.

It should be also noted that the financial data for the three-month periods ending March 31, 2018 and March 31 2017 allocated to the "Broadcasting and television production" segment are not fully comparable due to the acquisition of 100% of shares in Eska TV S.A. and Lemon Records Sp. z o.o. on December 4, 2017, and the acquisition of 34.02% and later 15.46% of shares in TV Spektrum Sp. z o.o. on December 4, 2017 and February 2, 2018, respectively.

Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2018 of IFRS 9 and IFRS 15 without the restatement of the comparative figures.

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 3 months ended March 31, 2017:

3 months ended March 31, 2017 (unaudited) *IAS 18 basis* [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,120.1	268.5	-	2,388.6
Inter-segment revenues	9.8	36.5	(46.3)	-
Revenues	**2,129.9**	**305.0**	**(46.3)**	**2,388.6**
EBITDA (unaudited)	**821.4**	**108.1**	**-**	**929.5**
Depreciation, amortization, impairment and liquidation	462.7	9.6	-	472.3
Profit from operating activities	**358.7**	**98.5**	**-**	**457.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	196.5*	8.9	-	205.4
Balance as at March 31, 2017 (unaudited)				
Assets, including:	23,112.5	4,488.3**	(47.6)	**27,553.2**
Investments in joint venture	-	5.9	-	5.9

* 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 15.1 million.

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the 3-month period ended	
	March 31, 2018 unaudited (acc. to IFRS 15)	March 31, 2017 unaudited (acc. to IAS 18)
EBITDA (unaudited)	**890.0**	**929.5**
Depreciation, amortization, impairment and liquidation	(454.5)	(472.3)
Profit from operating activities	**435.5**	**457.2**
Other foreign exchange rate differences, net	(4.2)	33.0
Interest costs, net	(100.7)	(115.7)
Early redemption costs	-	(58.7)
Cumulative catch-up	33.9	-
Share of the profit of associates accounted for using the equity method	5.2	-
Other	(5.0)	(13.6)
Gross profit for the period	**364.7**	**302.2**
Income tax	(72.5)	(30.8)
Net profit for the period	**292.2**	**271.4**

4.3.3. Balance sheet analysis

As at March 31, 2018 our balance sheet amounted to PLN 27,894.4 million and increased by PLN 138.4 million, or 0.5%, from PLN 27,756.0 million as at December 31, 2017.

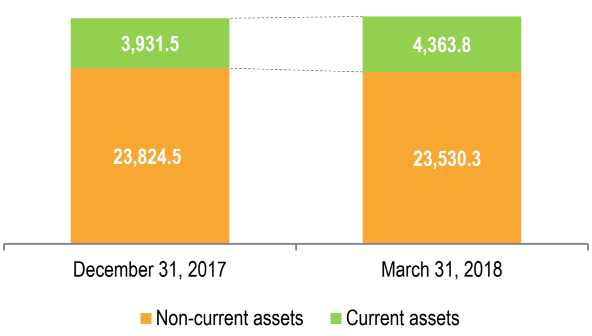
Assets

[mPLN]	March 31, 2018 *IFRS 15 basis*	December 31, 2017 *IAS 18 basis*	Change [mPLN]	Change [%]
Reception equipment	312.5	325.3	(12.8)	(3.9%)
Other property, plant and equipment	2,797.0	2,867.1	(70.1)	(2.4%)
Goodwill	11,060.5	11,041.7	18.8	0.2%
Customer relationships	2,458.6	2,557.3	(98.7)	(3.9%)
Brands	2,031.0	2,037.1	(6.1)	(0.3%)
Other intangible assets	3,146.4	3,261.5	(115.1)	(3.5%)
Non-current programming assets	170.1	170.1	-	-
Investment property	5.1	5.1	-	-
Non-current deferred distribution fees	90.4	91.4	(1.0)	(1.1%)
Other non-current assets, includes:	1,280.6	1,270.7	9.9	0.8%
shares in associates accounted for using the equity method	*681.2*	*665.2*	*16.0*	*2.4%*
derivative instruments	*0.1*	*1.9*	*(1.8)*	*(94.7%)*
Deferred tax assets	178.4	197.2	(18.8)	(9.5%)
Total non-current assets	**23,530.6**	**23,824.5**	**(293.9)**	**(1.2%)**
Current programming assets	256.6	251.7	4.9	1.9%
Contract assets	680.8	-	680.8	100.0%
Inventories	305.3	283.7	21.6	7.6%
Trade and other receivables	1,990.7	1,983.2	7.5	0.4%
Income tax receivables	55.8	1.3	54.5	4192.3%
Current deferred distribution fees	206.9	207.9	(1.0)	(0.5%)
Other current assets	70.2	31.7	38.5	121.5%
includes derivative instruments assets	*2.7*	*5.1*	*(2.4)*	*(47.1%)*
Cash and cash equivalents	785.9	1,161.5	(375.6)	(32.3%)
Restricted cash	11.6	10.5	1.1	10.5%
Total current assets	**4,363.8**	**3,931.5**	**432.3**	**11.0%**
Total assets	**27,894.4**	**27,756.0**	**138.4**	**0.5%**

As at March 31, 2018 and December 31, 2017, our non-current assets amounted to PLN 23,530.6 million and PLN 23,824.5 million, respectively, and accounted for 84.4% and 85.8% of total assets, respectively.

As at March 31, 2018 and December 31, 2017, our current assets amounted to PLN 4,363.8 million and PLN 3,931.5 million, respectively, and accounted for 15.6% and 14.2% of the total assets, respectively.

Change in assets [mPLN]



The value of reception equipment amounted to PLN 312.5 million as at March 31, 2018 and decreased by PLN 12.8 million, or 3.9%, compared to PLN 325.3 million as at December 31, 2017.

The value of other property, plant and equipment decreased by PLN 70.1 million, or 2.4%, to PLN 2,797.0 million as at March 31, 2018 from PLN 2,867.1 million as at December 31, 2017, mainly due to the recognition of amortization of the technical infrastructure and telecommunications network equipment, which was partially compensated by capital spending on the roll-out of our telecommunications network and development of our IT systems.

The value of goodwill increased by PLN 18.8 million, or 0.2%, to PLN 11,060.5 million as at March 31, 2018 from PLN 11,041.7 million as at December 31, 2017 following the acquisition of Coltex ST Sp. z o.o. on March 1, 2018.

The value of customer relationships decreased by PLN 98.7 million, or 3.9%, to PLN 2,458.6 million as at March 31, 2018 compared to PLN 2,557.3 million as at December 31, 2017, among others due to calculated amortization for the three-month period ended March 31, 2018.

As at March 31, 2018, the value of brands was PLN 2,031.0 million, which constitutes a decrease by PLN 6.1 million, or 0.3%, compared to PLN 2,037.1 million as at December 31, 2017, among others due to recognition of the amortization of the Plus trademark for the 3-month period ended March 31, 2018.

The value of other intangible assets amounted to PLN 3,146.4 million as at March 31, 2018 which constitutes a decrease by PLN 115.1 million, or 3.5%, compared to PLN 3,261.5 million as at December 31, 2017. The main reason behind this decrease is the recognition of amortization of telecommunication licenses for the three-month period ended March 31, 2018.

The value of non-current and current programming assets increased by PLN 4.9 million, or 1.2%, to PLN 426.7 million as at March 31, 2018, from PLN 421.8 million as at December 31, 2017. This increase was primarily the effect of the recognition of a higher value of own production associated with the expansion of our programming offer, and was partially offset by a lower cost of film licenses.

Investment property amounted to PLN 5.1 million as at March 31, 2018 and remained at an unchanged level compared to the balance as at December 31, 2017.

The value of non-current and current deferred distribution fees decreased by PLN 2.0 million, or 0.7%, to PLN 297.3 million as at March 31, 2018 compared to PLN 299.3 million as at December 31, 2017.

The value of other non-current assets amounted to PLN 1,280.6 million as at March 31, 2018 and increased by PLN 9.9 million, or 0.8%, compared to PLN 1,270.7 million as at December 31, 2017 as a result of the recognition of a higher value of receivables from installment plan sales of equipment.

The value of deferred tax assets amounted to PLN 178.4 million as at March 31, 2018, which constitutes a decrease by PLN 18.8 million, or 9.5%, compared to PLN 197.2 million as at December 31, 2017.

The value of contract assets amounted to PLN 680.8 million as at March 31, 2018. This item was recognized in the first quarter of 2018 as a result of applying IFRS 15 and represents the Group's right to future remuneration for the products and services provided to the customer.

The value of inventories increased by PLN 21.6 million, or 7.6%, to PLN 305.3 million as at March 31, 2018 from PLN 283.7 million as at December 31, 2017, mainly due to the higher level of inventories of end-user equipment.

The value of trade and other receivables amounted to PLN 1,990.7 million as at March 31, 2018 and increased by PLN 7.5 million, or 0.4%, to PLN 1,608.5 million from PLN 1,983.2 million as at December 31, 2017, primarily due to higher receivables from installment plan sales of equipment to residential customers.

The value of income tax receivables amounted to PLN 55.8 million as at March 31, 2018 and increased by PLN 54.5 million, from PLN 1.3 million as at December 31, 2017.

The value of other current assets amounted to PLN 70.2 million as at March 31, 2018, which constitutes an increase by PLN 38.5 million, or 121.5%, compared to PLN 31.7 million as at December 31, 2017, mainly as a result of an increase in the value of prepayments.

The value of cash and cash equivalents and restricted cash decreased by PLN 374.5 million, or 32.0%, to PLN 797.5 million as at March 31, 2018 from PLN 1,172.0 million as at December 31, 2017, mainly due to the partial repayment of the Revolving Facility Loan in the amount of PLN 550.0 million.

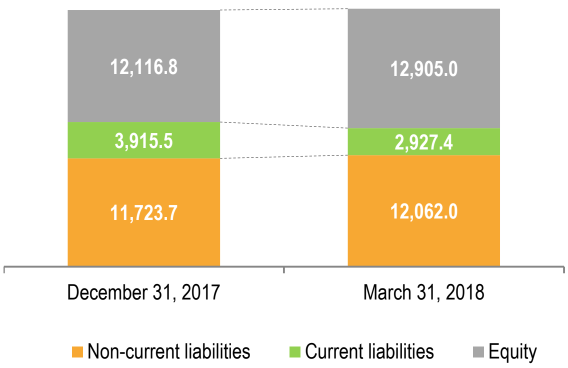
Equity and liabilities

[mPLN]	March 31, 2018 *IFRS 15 basis*	December 31, 2017 *IAS 18 basis*	change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	2.8	3.2	(0.4)	(12.5%)
Retained earnings	5,668.6	4,871.4	797.2	16.4%
Equity attributable to equity holders of the Parent	**12,871.0**	**12,074.2**	**796.8**	**6.6%**
Non-controlling interests	34.0	42.6	(8.6)	(20.2%)
Total equity	**12,905.0**	**12,116.8**	**788.2**	**6.5%**
Loans and borrowings	9,474.7	9,291.4	183.3	2.0%
Issued bonds	965.2	975.7	(10.5)	(1.1%)
Finance lease liabilities	17.3	18.6	(1.3)	(7.0%)
UMTS license liabilities	447.6	440.8	6.8	1.5%
Deferred tax liabilities	1,034.8	879.8	155.0	17.6%
Deferred income	-	3.2	(3.2)	(100.0%)
Other non-current liabilities and provisions	122.4	114.2	8.2	7.2%
includes derivative instruments liabilities	*2.2*	*-*	*2.2*	*100%*
Total non-current liabilities	**12,062.0**	**11,723.7**	**338.3**	**2.9%**
Loans and borrowings	552.9	1,341.9	(789.0)	(58.8%)
Issued bonds	41.9	42.5	(0.6)	(1.4%)
Finance lease liabilities	10.4	9.7	0.7	7.2%
UMTS license liabilities	116.3	114.5	1.8	1.6%
Contract liabilities	359.0	-	359.0	100.0%
Trade and other payables	1,430.8	1,727.3	(296.5)	(17.2%)
includes derivative instruments liabilities	*2.8*	*3.6*	*(0.8)*	*(22.2%)*
Income tax liability	60.1	61.3	(1.2)	(2.0%)
Deferred income	356.0	618.3	(262.3)	(42.4%)
Total current liabilities	**2,927.4**	**3,915.5**	**(988.1)**	**(25.2%)**
Total liabilities	**14,989.4**	**15,639.2**	**(649.8)**	**(4.2%)**
Total equity and liabilities	**27,894.4**	**27,756.0**	**138.4**	**0.5%**

Equity increased by PLN 788.2 million, or by 6.5%, to PLN 12,905.0 million as at March 31, 2018 from PLN 12,116.8 million as at December 31, 2017, due to the implementation of IFRS 15 which resulted in the earlier recognition of profit on equipment sold in the past under the subsidized model, and profit generated in the three-month period ended March 31, 2018 in the amount of PLN 292.2 million.

As at March 31, 2018 and December 31, 2017 the value of our non-current liabilities amounted to PLN 12,062.0 million and PLN 11,723.7 million, which constituted 80.5% and 75.0% of the Group's total liabilities, respectively.

Change in liabilities [mPLN]



As at March 31, 2018 and December 31, 2017 the value of our current liabilities amounted to PLN 2,927.4 million and PLN 3,915.5 million, which constituted 19.5% and 25.0% of the Group's total liabilities, respectively.

Loans and borrowings (short- and long-term) decreased by PLN 605.7 million, or 5.7%, to PLN 10,027.6 million as at March 31, 2018 from PLN 10,633.3 million as at December 31, 2017, which was, among others, the effect of the partial repayment of the Revolving Facility Loan.

Senior Notes liabilities (short- and long-term) decreased by PLN 11.1 million, or by 1.1%, to PLN 1,007.1 million as at March 31, 2018 from PLN 1,018.2 million as at December 31, 2017.

Finance lease liabilities (short- and long-term) amounted to PLN 27.7 million as at March 31, 2018 and remained at a similar level compared to PLN 28.3 million as at December 31, 2017.

UMTS license liabilities (short- and long-term) increased by PLN 8.6 million, or 1.5%, to PLN 563.9 million as at March 31, 2018 from PLN 555.3 million as at December 31, 2017, due to their higher valuation resulting from the depreciation of the Polish zloty with respect to the euro in the first quarter of 2018.

Deferred income tax liabilities increased by PLN 155.0 million, or 17.6%, to PLN 1,034.8 million as at March 31, 2018 from PLN 879.8 million as at December 31, 2017. This item was adjusted in connection with the implementation of IFRS 15 from January 1, 2018.

Non-current and current deferred income amounted to PLN 356.0 million as at March 31, 2018, and decreased by PLN 265.5 million, or 42.7%, from PLN 621.5 million as at December 31, 2017. This item was adjusted in connection with the implementation of IFRS 15 from January 1, 2018.

The value of other non-current liabilities and provisions amounted to PLN 122.4 million as at March 31, 2018 and increased by PLN 8.2 million, or 7.2%, from PLN 114.2 million as at December 31, 2017.

The value of contract liabilities amounted to PLN 359.0 million as at March 31, 2018. This item was recognized in the first quarter of 2018 as a result of applying IFRS 15 and refers mainly to the unused funds within the prepaid system, recognized previously as deferred income.

The value of trade and other payables amounted to PLN 1,430.8 million as at March 31, 2018 which constitutes a decrease by PLN 296.5 million, or 17.2%, compared to PLN 1,727.3 million as at December 31, 2017. This decrease was driven primarily by a lower balance of trade liabilities and accruals.

Income tax liabilities decreased by PLN 1.2 million, or 3.4%, to PLN 60.1 million as at March 31, 2018 from PLN 61.3 million as at December 31, 2017.

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the 3-month periods ended March 31, 2018 and March 31, 2017.

[mPLN]	for 3 months ended		change	
	March 31, 2018 *IFRS 15 basis*	March 31, 2017 *IAS 18 basis*	[mPLN]	[%]
Net profit	292.2	271.4	20.8	7.7%
Net cash from operating activities	570.0	751.7	(181.7)	(24.2%)
Net cash used in investing activities	(255.4)	(159.2)	(96.2)	(60.4%)
Capital expenditures	*(174.4)*	*(172.1)*	*(2.3)*	*(1.3%)*
Net cash used in financing activities	(689.6)	(348.2)	(341.4)	(98.0%)
Cash and cash equivalents at the beginning of the period	1,172.0	1,336.7	(164.7)	(12.3%)
Cash and cash equivalents at the end of the period	797.5	1,577.3	(779.8)	(49.4%)

Net cash from operating activities

Net cash from operating activities amounted to PLN 570.0 million in the first quarter of 2018 and decreased by PLN 181.7 million, or 24.2%, compared to net cash from operating activities in the amount of PLN 751.7 million the corresponding period of 2017.

A lower stream of cash from operating activities generated in the first quarter of 2018 versus the corresponding period of 2017 resulted from a greater negative impact of the change in the level of liabilities, provisions and deferred income, higher expenditures on film and sports licenses and a higher level of income tax paid, with a simultaneously lower scale of positive change in the level of inventories and interest received from business operations. In parallel, in the first quarter of 2018 Polsat Group continued to record a significant scale of engagement of its working capital in the financing of sales of equipment for residential customers in the installment plan model, which was related to the high popularity of this form of sales among our customers, as well as the increasing demand for more advanced and consequently more expensive end-user devices.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 255.4 million in the first quarter of 2018 which constitutes an increase by PLN 96.2 million, or 60.4%, from PLN 159.2 million in the first quarter of 2017.

In the first quarter of 2018, capital expenditures on the purchase of property, plant and equipment and intangible assets amounted to PLN 174.4 million, which constitutes an increase by PLN 2.3 million, or 1.3%, compared to PLN 172.1 million in the first quarter of 2017. In particular, they included the continued roll-out of our access network, based primarily on the 900 MHz, 1800 MHz and 2600 MHz bands, expansion of the capacity of the telecommunications network based on LTE and LTE-Advanced technologies, expansion of radio links and transmission nodes and expenditures related to the continued project of complex modernization and exchange of the IT environment within the Group. At the same time we also invested in the expansion of areas used for television production, the exchange of equipment used to execute TV recordings and in servers used to develop the IPLA service, the construction of a new logistics center and we also successively exchanged the interior design of our points of sales.

On top of regular capital expenditures, in the first quarter of 2018 net cash used in investing activities included other expenditures, related among others to the acquisition of Coltex ST Sp. z o.o., the increase of our stake in TV Spektrum Sp. z o.o. and short-term investments in certain investment funds.

Net cash used in finance activities

Net cash used in financing activities amounted to PLN 689.6 million in the first quarter of 2018, which constitutes an increase by PLN 341.4 million, or 98.0% compared to PLN 348.2 million in the first quarter of 2017. The amount of cash used in financing activities in the first quarter of 2018 was affected primarily by the repayment of PLN 550.0 million from the Revolving Facility Loan.

4.3.5. Liquidity and capital resources

We maintain cash 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, bonds 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 needs related to our operating activities, development of our services, service of our debt as well as for the execution 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 March 31, 2018.

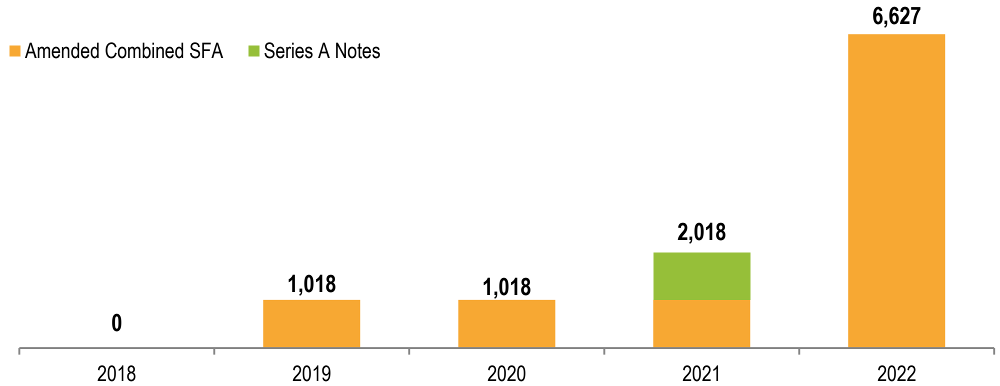
	Balance value as at March 31, 2018 [mPLN]	Coupon / interest	Maturity date
Combined SFA, incl.	10,027.6	WIBOR + margin	2022[1)]
Revolving Facility Loan	*450.0*	*WIBOR + margin*	
Series A Notes	1,007.1	WIBOR + 2.5%	2021
Leasing and other	27.7	-	-
Gross debt	**11,062.4**	-	-
Cash and cash equivalents[(2)]	(797.5)	-	-
Net debt	**10,264.9**	-	-
EBITDA LTM[(3)]	3,577.5	-	-
Total net debt / EBITDA LTM	**2.87**	-	-
Weighted average interest cost[(4)]	3.3%	-	-

1) Accounting for the provisions of the second amendment and restatement deed to the Combined SFA dated March 2, 2018.
2) This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
3) In accordance with the requirements of the Combined SFA, EBITDA LTM includes the EBITDA figures for the second, third and fourth quarters of 2017 calculated according to IAS 18 (binding until December 31, 2018) and the EBITDA figure for the first quarter of 2018 calculated according to IFRS 15 (binding from January 1, 2018).
4) Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments, as at March 31, 2018 assuming WIBOR 1M of 1.64% and WIBOR 6M of 1.78%.

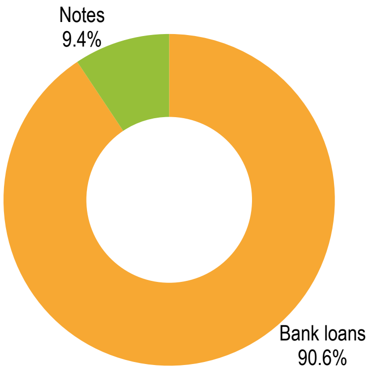
As a result of the conclusion on March 2, 2018 of the second amendment and restatement deed to the Combined SFA, the termination date of the Term Loan and consequently the repayment schedule have changed. The extended repayment schedule resulted, i.a. in the freezing of repayments of capital installments in 2018.

The graphs below present the aging balance of the Group's debt (expressed in nominal values and excluding the indebtedness under the revolving facility loans and leasing) as well as its structure according to instrument type and currency as at March 31, 2018.

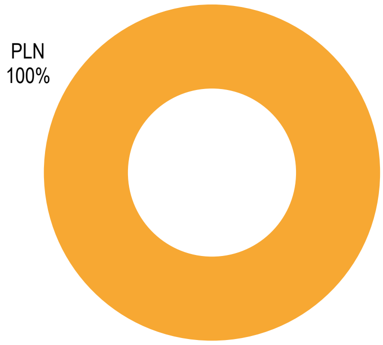
Debt maturing profile as at March 31, 2018 [mPLN]



Debt strucutre by instrument type as at March 31, 2018



Debt structure by currency as at March 31, 2018



In order to reduce exposure to interest rate risk related to interest payments on the Combined SFA based on a floating rate, we actively apply hedging strategies based on derivative instruments, swaps (IRS) in particular.

Material financing agreements executed by the Group

Below we present 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.

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.

Moreover, on March 2, 2018 the Group concluded the Second Amendment, Restatement and Consolidation Deed incorporating further changes in the CP SFA. The modification related, among others, to the extension of the term of repayment of the Term Loan until September 30, 2022, which entailed a modification of the repayment schedule (details described in the item above) and the modification of the ratio of consolidated net debt to consolidated EBITDA, below which the Company will not be obligated to establish or maintain securities in connection with the CP Facilities Agreement (excluding the release of guarantees granted pursuant to the CP Facilities Agreement), by revising it to from 1.75:1 up to 3.00:1.

We will refer to the CP SFA amended by both aforementioned Amendment, Restatement and Consolidation Deeds as the Combined SFA, and the term loan and revolving facility granted under this agreement as the Term Loan and Revolving Facility, respectively.

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, does not include debt instruments under which capital is repaid not sooner than 6 months after the term of repayment of the Term Facility and Revolving Facility and interest is not paid in cash on a current basis. Pursuant to the provisions of the amended Combined SFA the final repayment date for the Term Facility and the Revolving Facility is September 30, 2022. Starting from 2019, the Term Facility is to be repaid in quarterly installments of variable value according to an established schedule.

Pursuant to the Combined SFA the Company and its Group companies establish, in specified cases, 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.*

Pursuant to the provisions of the Combined SFA when the net consolidated indebtedness to consolidated EBITDA ratio falls to or below 3.00:1, 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 3.00:1. 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 CP SFA, PLK SFA and the Amendment and Restatement Deed of September 21, 2015 provided 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, 2017 and July 21, 2018, the premium shall be equal to 1% of the nominal value of the Bonds subject to the early redemption;

(ii) 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 certain restrictions, which have been specified in the Information Note regarding the issue of Series A Bonds of July 22, 2015 (the Information Note is available on our corporate website).

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.

Contractual obligations

Contractual commitments to purchase programming assets

As at March 31, 2018 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	March 31, 2018 unaudited	December 31, 2017
within one year	315.2	192.6
between 1 to 5 years	636.8	612.1
more than 5 years	4.4	15.0
Total	**956.4**	**819.7**

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

[mPLN]	March 31, 2018 unaudited	December 31, 2017
within one year	18.5	0.2
Total	**18.5**	**0.2**

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 186.6 million as at March 31, 2018 (PLN 110.4 million as at December 31, 2017). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at March 31, 2018 was PLN 245.5 million (PLN 272.5 million as at December 31, 2017).

Ratings

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

Rating agency	Rating / perspective	Previous rating / perspective	Update
Moody's Investor Service	Ba2 / positive	Ba2 / stable	08.08.2017
S&P Global Ratings	BB+ / stable	BB+ / positive	20.12.2017

On December 20, 2017, S&P affirmed the Group's rating at BB+ revising the outlook to stable from positive. In the rationale behind the decision S&P stated that the outlook revision was primarily influenced by the acquisitions announced by the Company on December 4, 2017, that is the acquisition of a ca. 32% stake in Netia and the intention to increase this stake to no more than 66%, and the acquisition of several television channels from ZPR Media Group. In the opinion of S&P, expenditures related to the above acquisitions will translate into a slower than previously anticipated by S&P pace of deleveraging, as they will be financed partially from own resources and partially from bank loans. The stable outlook reflects S&P's expectation that the net debt to EBITDA ratio will remain at 3.0-3.5x (applying S&P's calculation method) in 2017-2018 and decrease gradually thereafter. Concurrently, S&P assumes that the integration with Netia will be smooth and will generate synergies expected by the Group.

On August 8, 2017 Moody's Investors Service ("Moody's") revised the rating outlook for Cyfrowy Polsat Group to positive from stable, concurrently affirming the Ba2 corporate family rating.

In its justification Moody's stated that the upward revision of the rating outlook reflects in particular the Group's improved leverage metrics and strong cash flows, thanks to which the Group proactively reduced its indebtedness over the past year. The positive outlook reflects Moody's expectations with respect to further deleveraging and consistent improvement of indebtedness ratios over the next two years and it assumes that the Group will not implement significant changes to its dividend and leverage policies.

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., Aero2, PL 2014 Sp. z o.o. and Plus Flota Sp. z o.o., 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), Plus TM Management Sp. z o.o. (with a total nominal value of PLN 2,106,000), Aero2 (with a total nominal value of PLN 91,958,700) and PL 2014 Sp. z o.o. (with a total nominal value of PLN 29,494,600), 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 and registered pledges on shares in Netia S.A. (with a total nominal value of PLN 110,702,441), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent 32.998% of the share capital of the company;

(iv) financial and registered pledges on shares in TV Spektrum Sp. z o.o. (with a total nominal value of PLN 2,400,000), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent 49.48% of the share capital of the company;

(v) 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, Plus TM Management Sp. z o.o., Aero2 and PL 2014 Sp. z o.o., governed by Polish law;

(vi) 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, 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., 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., Aero2, PL 2014 Sp. z o.o. and Plus Flota Sp. z o.o., governed by Polish law;

(vii) ordinary and registered pledges on protection rights to trademarks vested in Telewizja Polsat and Polsat Brands AG, governed by Polish law;

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

(ix) 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;

(x) 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;

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

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

(xiii) 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;

(xiv) pledge on shares in Litenite (with the total nominal value of EUR 1,800), governed by Cypriot law;

(xv) 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;

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

(xvii) pledge on bank accounts taken over by Cyfrowy Polsat following the merger with Metelem, governed by Cypriot law.

(xviii) assignment for security of receivables and rights to and in bank accounts taken over by Cyfrowy Polsat following the merger with Metelem, governed by the Swiss law;

(xix) pledge on shares in Polsat Brands AG (with the total nominal value of CHF 250,074), governed by the Swiss law;

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

(xxi) 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., Aero2 and PL 2014 Sp. z o.o. on the submission to enforcement on the basis of a notarial deed, governed by Polish law; and

(xxii) statements of Litenite and Polsat Brands AG 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 other than market conditions

Transactions concluded in the 3-month period ended March 31, 2018 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 3-month period ended March 31, 2018.

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

Cyfrowy Polsat Group had not published any financial forecasts.

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

Management believes that the provisions for litigations as at March 31, 2018 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 Protection (UOKiK)

On February 24, 2011 the President of UOKiK imposed a 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 (SOKiK). According to the management of the company, 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 was changed by SOKiK, reducing the penalty to PLN 4.0 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. On April 28, 2017 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3 million. Polkomtel and President of UOKiK appealed against the verdict.

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 the Management's opinion, no such agreement had been concluded between the parties. The company appealed to SOKiK against the decision of the President of UOKiK regarding the penalty. Following SOKiK's verdict dated June 19, 2015 the penalty has been revoked in full. On March 15, 2017 the President of UOKiK's appeal has been rejected by the Court. The verdict is binding. The President of UOKiK filed for cassation 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 was 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. On March 23, 2018, SOKiK dismissed Polkomtel's appeal by upholding the decision of the President of UOKiK.

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 October 24, 2017 the appeal has been rejected by SOKiK. The company appealed against the SOKiK verdict.

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 30, 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel were allegedly infringing collective consumer interests by presenting advertising slogans, which in the opinion of the authorities were misleading and suggested that the LTE data transmission will not be limited. Pursuant to the decision of the President of UOKiK the Company and Polkomtel were charged with a penalty in the amount of PLN 5.3 million and PLN 18.4 million, respectively. The Group appealed to SOKiK against the decision.

On December 30, 2016 the President of UOKiK issued a decision stating that the operations of the Company and Polkomtel were allegedly infringing collective consumer interests by presenting sale offers, which in the opinion of the authorities were impossible to conclude. Pursuant to the decision of the President of UOKiK the Company and Polkomtel was charged with a penalty in the amount of PLN 4.4 million and PLN 12.3 million, respectively. The Group appealed to SOKiK against the decision.

Legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication license for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (currently Aero 2 Sp. z o.o.) and Centernet S.A. (currently Aero 2 Sp. z o.o.). Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. The Supreme Administrative Court (NSA), in its ruling dated May 8, 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 September 23, 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." On December 23, 2016, the President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated August 4, 2017 the President of UKE notified the parties that the tender dated 2007 has been annulled. On October 13, 2017 Aero 2 Sp. z o.o. (legal successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated August 4, 2017 concerning the annulment of the tender procedure. On January 31, 2018, the President of UKE upheld its decision dated August 4, 2017. Aero2 has the right to file a complaint against this decision to WSA in Warsaw.

The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with the President of UKE's press release, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions. In management's opinion this issue should have no negative impact on the results and financial condition of the Group.

Other proceedings

On December 15, 2014 Polkomtel received a claim from Orange for the total amount of PLN 21.0 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. On April 20, 2017 the penalty has been affirmed by the Court in the amount of PLN 9.0 million. On 12 May 2017 Polkomtel made a payment in the amount of PLN 9.0 million. Polkomtel filed cassation appeal. In management's opinion the claim is groundless.

In September 2015, Polkomtel received a claim from P4, in which the company demands compensation of PLN 316.0 million (including interest of PLN 85.0 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 Poland, Polkomtel and T-Mobile Poland. 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.

On April 28, 2017, ZASP (Polish Actors Association) filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3 million. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirety. On January 10, 2018, the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement.

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. Factors related to social-economic environment

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, as well as demand for end-user devices that we sell, include GDP growth, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure incurred by enterprises.

Based on data published by the European Commission, a noticeable recovery of economies both of Poland and other EU countries took place in the years 2015-2017. GDP growth for Poland in 2015 and 2016 was 3.8% and 2.9%, respectively, and is estimated at 4.6% in 2017. Current forecasts, published by domestic and international institutions, regarding growth prospects of the Polish economy assume that the high rate of growth of Poland's GDP, outperforming corresponding indices for the whole European Union nearly twice fold, will be sustained in 2018 and 2019.

We believe that average consumer spending, including spending on pay TV, mobile telephony, broadband access, bundled services and end-user devices generally will grow in line with the overall GDP growth and further growth of the level of wages in Poland, and will support our future revenue growth. We expect that the positive growth dynamics of GDP in the years 2018-2019 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, the pricing of our services and the penetration rate of pay TV in Poland, which we consider saturated.

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

We believe that at present our programming packages offer the best value-for-money on the Polish pay TV market. Moreover, we invest in new, attractive and unique content, as demonstrated, e.g. by the purchase of broadcasting rights to the UEFA Champions League and Europa League for the seasons 2018-2021. This 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, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a 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 at an early stage of development in Poland as compared to Western Europe or the United States and in our opinion has significant growth prospects, especially in light of the improving quality of broadband links on the market. The launch of services by global players, such as Netflix, Showmax or Amazon Prime, is proof that Poland is considered an attractive market. We consequently develop our services which consist in providing our customers with content on demand – our VOD rental service, the leading online television in Poland, IPLA, as well as our online service Cyfrowy Polsat GO which allows access to content on mobile devices anytime and anywhere. 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

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation. In the past, given the increasing GDP of Poland, the TV advertising market was characterized by a regular single-digit (in percentage terms) growth rate and in the first quarter of 2018 it recorded very high growth dynamics of 9.6%. Assuming further positive GDP growth dynamics in the years 2018-2019, we expect continued growth of the Polish advertising market.

In our opinion, television remains an 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 substantial growth potential for TV advertising in Poland in the long term. What is more, the expected high rate of economic growth in 2018-2019 should have a positive influence on the level of advertising expenditures 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.

Prospects of the online advertising market are also positive. According to the IAB AdEx report, in 2017 online advertising expenditures increased at a rate of 9.3% YoY and reached the value of PLN 3.96 billion. The growth dynamics of this form of advertising is influenced to a significant extent by expenditures in the video advertising segment, in which we generate part of our revenue. In 2017, those expenditures increased by 34% and represented 13% of the total expenditures on online advertising. We believe that thanks to the leading position on the online video market (through IPLA internet television and the Cyfrowy Polsat GO service) we will 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 an 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) are experiencing a gradual decline in audience shares. According to data published by Nielsen Audience Measurement, in 2017 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 37.9%, while in 2016 it was equal to 40.6%.

Furthermore, according to Starcom media house's data 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. From that point of view, the acquisition of new TV channels in 2017 and the initiation of cooperation in the scope of developing two other channels available via digital terrestrial television (Fokus TV and Nowa TV) is perfectly in line with the Group's strategy to maintain a strong market presence, measured by viewership results, on an increasingly fragmented market. The channels Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV significantly strengthen the music programming in Telewizja Polsat while cooperation with Nowa TV and Fokus TV channels attractively complements its comprehensive program range. All the channels have a strong market position and solid viewership: in total ca. 3% in the commercial group in 2017. In connection with this transaction we expect to achieve synergies in the areas of sales and costs, originally estimated at ca. PLN 15 million per year.

Growing importance of convergent services

Currently, convergence, meant as a combination of at least two services from different base groups of telecommunications services, is one of the strongest trends both on the Polish media and telecommunications market and worldwide. Operators develop their bundled offerings in response to changing preferences of customers, who more and more often seek media and telecommunications services provided at competitive prices by a single operator under a single contract, a single invoice and a single fee. With the high saturation of the pay TV and mobile telephony markets, bundled services play an increasingly important role in maintaining the existing customer base.

Last year it was possible to observe increased efforts of big Polish market players, especially among mobile operators, aimed at strong promotion of bundled services for the home and solutions being a combination of mobile and fixed services. Operators pay a lot of attention to high quality broadband access for households, which results in wide-scale investments in the modernization and expansion of the footprint of both mobile LTE and LTE-Advance technologies, and modern fixed-line technologies (NGA – Next Generation Network).

Moreover, increasing engagement of mobile operators in the acquisition of content that could differentiate a given offering on the market is visible. For example, thanks to the cooperation with international video online services, such as Showmax, Netflix, HBO GO or the music service Tidal, mobile operators offer access to those services as an add-on to their subscription tariff plans.

In the wake of the increasing importance of convergence and bearing in mind the significant level of fragmentation of the broadband access market, it can be expected that the future shape of the Polish telecommunications and media market will be substantially impacted by consolidation trends which have been visible for a long time on more developed foreign markets where mobile and fixed-line operators merge with content providers. The acquisition transaction of a controlling stake in the fixed-line operator Netia, announced by Cyfrowy Polsat in December 2017, can serve as the first example of such consolidation in Poland. It is worth underlining that following the finalization of this transaction Polsat Group would possess all assets necessary to provide fully convergent services which would facilitate more effective cost management and better adjustment of the offering to customers' needs.

Growing demand for smartphones and data transmission

In Poland the popularity and sales of smartphones 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 about 70% constitute smartphones. This disproportion shows that the saturation of our mobile services customer base with smartphones will continue to grow in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. According to estimates presented in the Ericsson Mobility Report dated November 2017, the volume of transmitted data in the Central and Eastern Europe region, to which Poland belongs, will grow eight-fold in the years 2017-2023.

We expect that the growing popularity, availability and technological advancement of smartphones offered by manufacturers, combined with improving quality parameters of data transmission over our mobile network and the constantly expanded offer of applications and content for customers will continue to be the driving factor behind growing demand for data transmission services.

Roll-out of competing LTE networks

Following the resolution in 2015 of the LTE auction of 5 blocks in the 800 MHz bandwidth and 14 blocks in the 2600 MHz bandwidth, Polsat Group's competitors gained the possibility of providing high quality services in LTE based on the 800 MHz frequency band. In 2017, our competitors were investing heavily in the roll-out of their mobile networks based on the 800 MHz spectrum, thus consistently increasing the coverage of their respective LTE networks.

Cooperation between certain telecommunication operators in the scope of network sharing may have a significant effect on the shape of the Polish telecoms market. In December 2016 T-Mobile Polska and Orange Polska signed an agreement, pursuant to which they develop their own LTE networks based on the 800 MHz bandwidth using jointly the network of transmitters of the joint venture NetWorks!, however, without sharing the radio resources owned.In April 2018 Orange Polska informed that they decided to terminate cooperation with T-Mobile Polska relating to co-using the frequency resources in 900 MHz and 1800 MHz bandwidths, no later than in 2019.

In February 2018, the operator of Play network announced the roll-out of over 1000 new sites which are intended to increase the coverage footprint of Play's own network in the year 2018. Thus Play wants to close the gap to the remaining three players who rely on a substantially larger scale of own infrastructure. Play's substantial roll-out plans are intended to reduce the operator's reliance on national roaming services, presently used by Play to ensure nationwide coverage for its customers. At the same time Play customers can count on an improvement of quality of services provided by the operator in the future. Currently, Play often reduces the quality of provided services to avoid excessive costs of purchase of wholesale national roaming services.

In our opinion the significant improvement of the quality of LTE mobile broadband services provided by our competitors and the systematic expansion of the coverage footprints of their networks resulting from infrastructural investments, as well as exorbitant costs related to the purchase of the 800 MHz frequencies will influence, in coming periods, the competition model functioning on the Polish mobile broadband market by turning from price competition towards qualitative competition.

Information on seasonality

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. In the year ended December 31, 2017, TV Polsat Group generated approximately 20.8% of advertising revenue in the first quarter, 27.4% in the second quarter, 20.6% in the third quarter and 31.1% in the fourth quarter.

Within retail revenue category mobile revenue is a subject to slight fluctuations during the year. This revenue stream tends to decrease in the first quarter of each year due to fewer number of calendar and business days.

Other revenues are not directly subject to substantial seasonal fluctuations.

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, provides us with a possibility to generate growth of average revenue per customer. We carefully follow the evolution of consumption patterns and our customers' expectations striving to meet their growing needs by combining our pay TV, broadband access and mobile telephony services into attractive packages, complementing them with products and services outside our core activity, such as financial and insurance services or gas and electric energy supply.

Our bundled services offers, addressed both to our residential and businesses customers, enable our customers to combine products in a flexible way and benefit from attractive discounts that we offer. The program smartDOM, launched in 2014, yields excellent sales results and is regularly adjusted to meet the needs and expectations of our customers. The possibility of selling additional products and services (cross-selling) to our customer base has a positive impact both on our revenue and the level of ARPU per contract customer and contributes to increasing the loyalty of customers, who use our bundled services.

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

Effective use of the potential in the area of provision of integrated and value added services to our customers, both through up-selling of single products and value added services, as well as through the sale of bundled offers and cross-selling, may significantly increase the number of services per individual customer, thus increasing average revenue per customer (ARPU), concurrently reducing the churn ratio.

Investments in network roll-out and spectrum refarming

In the first quarter of 2018, residential customers of Cyfrowy Polsat and Polkomtel transferred ca. 224 PB of data. Striving to maintain a high quality of provided services, we continue to invest in our telecommunication network roll-out. In particular, upon having approached the level of coverage of over 99% of the population with our LTE network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of LTE-Advanced, which already reached 54% of Poles by the end of 2017 as well as expanding our territory coverage in Poland.

Investments in the development of our LTE network are mainly conducted using own spectrum in the 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands. As at the end of 2017 we had over 9.9 thousand active LTE base transceiver stations (BTS) in operation on various bands from our frequency portfolio.

We expect that LTE network roll-out, relying mainly on continuous 20 MHz spectrum blocks in the 1800 MHz and 2600 MHz bands combined with increasing the density of the base station network, distinct growth of the number of operating transceivers as well as the use of the ODU-IDU (Outdoor Unit Indoor Unit) solution will enable us to maintain our competitive advantage in terms of the quality of provided mobile broadband access.

The next crucial phase in the development of our network consisted in the refarming of the 900 MHz and 2100 MHz spectrum, resulting in the allocation of part of the bandwidth currently used for 2G and 3G services to LTE and LTE-Advanced technologies. In particular, we have released the 900 MHz bandwidth, used so far for the provision of services in the 2G technology, on the entire territory of Poland, and are currently migrating traffic provided in new and definitely more effective technologies to this frequency. By the end of the first quarter of 2018 we have already put into operation for our customers over 1,000 LTE base stations based on the 900 MHz band frequency. We conduct intensive work aimed at constructing over 6,000 LTE900 stations by the end of 2018.

Simultaneously, work is in progress throughout Poland with a view of expanding the capacity of our transmission network to support the continuously increasing data transfer volumes. Transmission network roll-out enables us to use our existing towers and other network locations, which have so far operated in 2G and 3G technologies, for the provision of LTE and LTE-Advanced services. We also consistently aggregate spectrum in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bandwidths in successive cities, which – combined with the application of the 256 QAM modulation, MIMO4x4 – allows us to offer our customers increasingly higher service quality.

Development of IPLA

IPLA, the leader on the 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, which helps us achieve synergies in terms of costs and revenues.

Mobile video traffic is the fastest growing segment of global mobile data traffic. According to estimates presented in the Ericsson Mobility Report dated November 2017 in the years 2017-2023 data consumption of video content will increase at an average annual rate of 50%, reaching ca. 75% of the entire data traffic in 2023. 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 and monetization of sports rights

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 viewership 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 which provide access to a wide selection of the most attractive films and series.

An important element that differentiates us on the market is a rich and unique broadcasting offer of the largest and the most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the UEFA EURO 2020, FIFA World Championships 2022, two editions of the football Nations League 2018/19 and 2020/21, big volleyball tournaments – the men's and women's World Volleyball Championships 2018 and 2022, new, attractive games of the volleyball Nations League (2018-2024), the 2019 and 2023 World Cup, qualifying competitions for the Olympic Games in Tokyo (2020) and Paris (2024), Plus Liga and Orlen Liga, boxing and mixed martial arts galas (KSW, FEN and UFC), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, in 2017 we acquired rights to the most popular football club competitions – the UEFA Champions League and UEFA Europa League (for the years 2018-2021). Unique content represents an important element that builds the value of our pay TV offering, therefore broadcasts on Polsat's sports channels are available via satellite only from Cyfrowy Polsat.

We believe that attractive content, including exclusive 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, as of June 15, 2017 retail charges for regulated roaming services were levelled with domestic charges (the *Roam Like at Home* regulation). The majority of tariff plans used on the Polish market include the so-called unlimited tariffs which enable making unlimited domestic calls and sending an unlimited number of short text messages against a fixed monthly subscription fee, and incoming voice calls on the Polish market are free-of-charge, as a general rule. In view of the above, the implementation of the *Roam Like at Home* regulation translated into the reduction of the stream of telecommunication retail revenue of all operators who have fully implemented this regulation, including Polsat Group.

When our customers generate traffic while roaming abroad, we incur costs of purchasing that traffic attributable to foreign telecommunication networks. Wholesale settlement rates for the purchase of roaming traffic on the territory of the EEA are also subject to regulatory reductions. In particular, the implementation of the *Roam Like at Home* regulation starting from June 15, 2017 was preceded by the implementation of an interim plan of a reduction of wholesale charges for international roaming services valid on the territory of the EEA.

Currently valid, maximum rates are presented below:

[EUR]	Maximum average wholesale prices (settlements between operators) on the territory of the EEA from:						
	July 1, 2014 to June 14 ,2017	June 15, 2017	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021	January 1, 2022
Data transmission (per 1 GB)	51.2	7.7	**6.0**	4.5	3.5	3.0	2.5
Outbound voice calls (per minute)	0.05	0.032	**0.032**	0.032	0.032	0.032	0.032
SMS (per 1 SMS)	0.02	0.01	**0.01**	0.01	0.01	0.01	0.01

Despite the considerable reduction of the maximum settlement rates introduced in parallel with the implementation of the *Roam Like at Home* regulation, the hike in the traffic volume generated by our customers roaming abroad translates into a significant growth of costs related to the purchase of roaming traffic, which in the case of services provided on the territory of the EEA, generates losses on selected roaming services. In order to mitigate this negative effect we are currently actively renegotiating our wholesale agreements with the view of reducing costs related to the purchase of roaming traffic, which should lead to a reduction of the rate of growth of costs in subsequent quarters.

Due to the fact that the adverse effect of the *Roam Like at Home* regulation concerns every operator on the Polish market who provides roaming services, it cannot be ruled out that this situation will result in changes introduced to price lists of retail services by individual operators. In particular, in order to cover losses on regulated roaming services, individual operators may be released from the obligation of levelling roaming charges prices with domestic prices, by introducing a mechanism of surcharges to domestic prices, provided that these operators can prove that they would not be able to recover the costs incurred in connection with the provision of roaming services. To our best knowledge, as at the date of publication of this Report part of the operators present on the Polish market, including Polkomtel, Orange Polska, T-Mobile Polska and P4, Play mobile network operator, have approached the Office of Electronic Communications (UKE) asking for consent to apply surcharges. Until now several virtual operators, P4 and Polkomtel received positive decisions. Among others P4 and Virgin Mobile have decided to apply the surcharges, however the method of implementation is different.

The *Fair Usage Policy (FUP)*, developed by the European Commission, is an additional tool which should protect the interests of operators in individual member states after the implementation of the *Roam Like at Home* regulation. This policy allows for the application of surcharges to domestic retail prices of regulated roaming services, if such services are used by individual customers in an unlawful or abusive manner. Recently, some domestic operators, including Polkomtel, have started to inform customers of their excessive usage of roaming services, which could lead to charging additional fees if the customers do not change their behavior.

5.4.4. Financial factors

Exchange rates fluctuations

The Polish 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 made in different areas of our operations. These include, among others, payments for license fees, transponder capacity lease, purchase of content and equipment, or international roaming and interconnect agreements.

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.

Interest rate fluctuations

Market interest rate fluctuations do not impact the Group's revenue directly, but they do affect our cash flows from operating activities through the amount of interest on current bank accounts and deposits, and also cash flows from financing activities through the Group's costs of servicing debt. In particular, our liabilities under the Combined Senior Facilities Agreement dated September 21, 2015 and our liabilities under the Terms of Issue of Series A Notes are calculated based on variable WIBOR, EURIBOR or LIBOR interest rates subject to periodical changes, increased by a relevant margin.

Despite the fact that the Group intends to maintain certain hedging positions the goal of which is to hedge against WIBOR fluctuations, there is no certainty that such a hedging will be still possible or whether it will be available on acceptable terms.

The Group analyzes its interest rate risk on an on-going basis, including the refinancing and risk hedging scenarios, which are used to estimate the impact of the specific interest rate fluctuations on our financial result.

Interest rate fluctuations may affect our ability to meet our current liabilities, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

5.4.5. Influence of changes in financial reporting standards

On January 1, 2018, new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into force. Moreover, the standard IFRS 16 Leases shall be applicable for annual periods beginning on January 1, 2019.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, at fair value though other comprehensive income and at fair value through profit or loss. The new classification requirements didn’t have material impact on accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

In addition IFRS 9 includes optional hedge accounting requirements. The Group chose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced in particular the existing standards IAS 18 *Revenue* and IAS 11 *Construction Contracts*.

In the case of the Group, the biggest change caused by the implementation of the standard concerns the recognition of revenues from multi-element contracts (e.g. mobile contract plus handset), which includes sale of subsidized products delivered at date of the agreement: the cumulative amount of revenues over the contract term will not change, but there will be a change in the allocation between revenues from sale of equipment and revenues from the services rendered (a greater part of the total remuneration will be assigned to the equipment delivered in advance, requiring earlier recognition of revenue).

Earlier revenue recognition will result in the recognition of assets from contracts in the statement of financial position representing the Group’s right to future remuneration for the products and serviced provided to the customer. In the case of sale of subsidized products the Group does not adjust the promised amount of consideration for the effects of a significant financing component as the Group expects, at the contract inception, that the period between the transfer of goods or services to a customer and the period when the customer pays for that good or service will be one year or less.

The Group does not identify material rights.

The Group usually sells its services and goods through distributors who act as an agent, which means that they do not assume all the risks associated with the delivery of goods and services, therefore sales revenue are recognized at the time of sale to the end customer.

The contractual liabilities included in the balance sheet refer mainly to the unused funds within the prepaid system, recognized previously as deferred income.

The implementation of IFRS 15 resulted in a change in the accounting policy regarding the revenue recognition. The Group's process for revenue recognition from multi-element contracts (e.g. mobile contract and handset) consists of:

a) assessment of all goods and services provided to the client under the contract and identifying separate performance obligations in that contract;

b) determining and allocating the transaction prices to separate performance obligations in the contract; the allocation is based on the reference to their relative standalone selling prices that could be obtained if the promised goods and services were sold individually in a separate transaction.

IFRS 15 is applied by the Group using the "modified retrospective approach" in which the cumulative effect of initially applying the standard is recognized as an adjustment to retained earnings at the date of initial application.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Implementation of IFRS 16 will increase depreciation and financial costs which will result in an increase of EBITDA, assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) as well as an increase of debt ratio. The Group assesses that the agreements for base transceiver stations and space rental which are currently presented as operational lease may be classified as financial lease. The Group is currently assessing the impact of IFRS 16 on the consolidated financial statements. Future minimum lease payments under operating lease pursuant to currently effective standards are presented in Note 32 of the consolidated financial statements for the financial year ended December 31, 2017.

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, May 9, 2018

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 Litenite.
Aero2 Group	Aero2 and its indirect and direct subsidiaries.
AltaLog	AltaLog spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000493305, subsidiary of Aero2.
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.
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.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339.
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 30, 2022.
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 30, 2022.
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.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668. Merged with Cyfrowy Polsat S.A. on April 28, 2018.

Eileme 2	Eileme 2 AB (publ), a company under Swedish law, registered under No. 556854-5676. Merged with Eileme 1 on November 24, 2017.
Eileme 3	Eileme 3 AB (publ), a company under Swedish law, registered under No. 556854-5692. Merged with Eileme 1 on November 24, 2017.
Eileme 4	Eileme 4 AB (publ), a company under Swedish law, registered under No. 556854-5684. Merged with Eileme 1 on November 24, 2017.
Embud2	Embud2 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (Limited Liability Company Limited Joint-Stock Partnership) entered in the register of entrepreneurs of the National Court Register under entry No. 0000676753, legal successor of Embud spółka z ograniczoną odpowiedzialnością.
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
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. Redeemed in full on April 26, 2017.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel. Merged with Cyfrowy Polsat on April 7, 2017.
Midas	Midas Spółka Akcyjna previously entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000025704. On November 30, 2016 Midas merged with Aero2.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
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, operator of mobile network Play.
Play Communications	Play Communications S.A. (société anonyme), with its registered office in Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies under number B183803, owner of P4.
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 30, 2022.

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 value of EUR 542.5 million and USD 500.0 million, maturity date in 2020, issued by Eileme 2. Redeemed in full on February 1, 2016.
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 30, 2022.
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 0000378997.
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 0000377416.
Polkomtel Group	Polkomtel jointly with its indirect and direct subsidiaries.
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.
Reddev	Reddev Investments Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
Sensor	Sensor Overseas Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
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.
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 0000567976.
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).
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).
Base transceiver station	(or: relay station / base station / BTS / transmitter / nodeB / eNodeB) – a device equipped with an antenna transceiver which connects a mobile terminal (e.g., mobile phone or mobile router) with a transmission part of a telecommunications network. A base station uses a single technology (2G, 3G or LTE) on a separate carrier (a frequency block from a separate bandwidth). A base station shall not be mistaken with a site.
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.
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.
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.
commercial group	Viewership group comprising viewers aged 16-49, including time-shifted viewership Live+2, i.e. for two consecutive days after the original airing date).

Term	Definition
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).
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 8x8 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.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
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 several 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.
ODU-IDU	Outdoor Unit Indoor Unit, a proprietary solution of Polsat Group based on a set comprising an external LTE modem (ODU) and an indoor WiFi router (IDU), which increases effective coverage and improve the quality of the LTE signal.
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).
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.

Term	Definition
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.
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.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
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 3 months ended 31 March 2018

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 9 May 2018, 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 2018 to 31 March 2018 showing a net profit for the period of:	PLN 292.2
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2018 to 31 March 2018 showing a total comprehensive income for the period of:	PLN 291.8
Interim Consolidated Balance Sheet as at 31 March 2018 showing total assets and total equity and liabilities of:	PLN 27,894.4
Interim Consolidated Cash Flow Statement for the period from 1 January 2018 to 31 March 2018 showing a net decrease in cash and cash equivalents amounting to:	PLN 375.0
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2018 to 31 March 2018 showing an increase in equity of:	PLN 788.2

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 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	

Warsaw, 9 May 2018

(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

	Note	for the 3 months ended 31 March 2018 unaudited *(IFRS 15 basis)*	31 March 2017 unaudited *(IAS 18 basis)*
Continuing operations			
Revenue	8	2,345.9	2,388.6
Operating costs	9	(1,917.1)	(1,938.2)
Other operating income, net		6.7	6.8
Profit from operating activities		**435.5**	**457.2**
Gain/(loss) on investment activities, net	10	(3.4)	30.5
Finance costs	11	(72.6)	(185.5)
Share of the profit of associates accounted for using the equity method		5.2	-
Gross profit for the period		**364.7**	**302.2**
Income tax		(72.5)	(30.8)
Net profit for the period		**292.2**	**271.4**
Net profit attributable to equity holders of the Parent		300.8	279.4
Net loss attributable to non-controlling interest		(8.6)	(8.0)
Basic and diluted earnings per share attributable to equity holders of the Parent (in PLN)		**0.46**	**0.42**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2018 unaudited *(IFRS 15 basis)*	31 March 2017 unaudited *(IAS 18 basis)*
Net profit for the period		**292.2**	**271.4**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	(0.5)	(0.9)
Income tax relating to hedge valuation	13	0.1	0.2
Items that may be reclassified subsequently to profit or loss		**(0.4)**	**(0.7)**
Other comprehensive loss, net of tax		**(0.4)**	**(0.7)**
Total comprehensive income for the period		**291.8**	**270.7**
Total comprehensive income attributable to equity holders of the Parent		300.4	278.7
Total comprehensive loss attributable to non-controlling interest		(8.6)	(8.0)

(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	31 March 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Reception equipment		312.5	325.3
Other property, plant and equipment		2,797.0	2,867.1
Goodwill	16	11,060.5	11,041.7
Customer relationships		2,458.6	2,557.3
Brands		2,031.0	2,037.1
Other intangible assets		3,146.4	3,261.5
Non-current programming assets		170.1	170.1
Investment property		5.1	5.1
Non-current deferred distribution fees		90.4	91.4
Other non-current assets, includes:		1,280.6	1,270.7
shares in associates accounted for using the equity method		*681.2*	*665.2*
derivative instruments		*0.1*	*1.9*
Deferred tax assets		178.4	197.2
Total non-current assets		**23,530.6**	**23,824.5**
Current programming assets		256.6	251.7
Contract assets		680.8	-
Inventories		305.3	283.7
Trade and other receivables		1,990.7	1,983.2
Income tax receivable		55.8	1.3
Current deferred distribution fees		206.9	207.9
Other current assets		70.2	31.7
includes derivative instruments assets		*2.7*	*5.1*
Cash and cash equivalents		785.9	1,161.5
Restricted cash		11.6	10.5
Total current assets		**4,363.8**	**3,931.5**
Total assets		**27,894.4**	**27,756.0**

(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	31 March 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Other reserves	13	2.8	3.2
Retained earnings		5,668.6	4,871.4
Equity attributable to equity holders of the Parent		**12,871.0**	**12,074.2**
Non-controlling interests		34.0	42.6
Total equity		**12,905.0**	**12,116.8**
Loans and borrowings	14	9,474.7	9,291.4
Issued bonds	15	965.2	975.7
Finance lease liabilities		17.3	18.6
UMTS license liabilities		447.6	440.8
Deferred tax liabilities		1,034.8	879.8
Deferred income		-	3.2
Other non-current liabilities and provisions		122.4	114.2
includes derivative instruments		*2.2*	-
Total non-current liabilities		**12,062.0**	**11,723.7**
Loans and borrowings	14	552.9	1,341.9
Issued bonds	15	41.9	42.5
Finance lease liabilities		10.4	9.7
UMTS license liabilities		116.3	114.5
Contract liabilities		359.0	-
Trade and other payables		1,430.8	1,727.3
includes derivative instruments		*2.8*	*3.6*
Income tax liability		60.1	61.3
Deferred income		356.0	618.3
Total current liabilities		**2,927.4**	**3,915.5**
Total liabilities		**14,989.4**	**15,639.2**
Total equity and liabilities		**27,894.4**	**27,756.0**

(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

		for the 3 months ended	
	Note	31 March 2018 unaudited *(IFRS 15 basis)*	31 March 2017 unaudited *(IAS 18 basis)*
Net profit		**292.2**	**271.4**
Adjustments for:		**340.9**	**509.3**
Depreciation, amortization, impairment and liquidation	9	454.5	472.3
Payments for film licenses and sports rights		(62.4)	(33.3)
Amortization of film licenses and sports rights		45.7	48.5
Interest expense		68.5	114.5
Change in inventories		7.7	41.5
Change in receivables and other assets		38.1	21.5
Change in liabilities, provisions and deferred income		(259.2)	(181.5)
Change in contract assets		29.6	-
Change in contract liabilities		(9.6)	-
Foreign exchange (gains)/losses, net		4.6	(28.4)
Income tax		72.5	30.8
Net additions of reception equipment provided under operating lease		(25.7)	(33.1)
Share of the profit of associates accounted for using the equity method		(5.2)	-
Early redemption costs		-	58.7
Other adjustments		(18.2)	(2.2)
Cash from operating activities		**633.1**	**780.7**
Income tax paid		(70.6)	(43.5)
Interest received from operating activities		7.5	14.5
Net cash from operating activities		**570.0**	**751.7**
Acquisition of property, plant and equipment		(131.6)	(138.9)
Acquisition of intangible assets		(42.8)	(33.2)
Acquisition of shares in associates and other entities		(11.3)	-
Acquisition of subsidiaries, net of cash acquired		(16.7)	-
Proceeds from sale of property, plant and equipment		3.4	12.8
Investment funds outflows		(45.0)	-
Granted loans		(11.0)	-
Other investing activities – derivatives		(1.5)	(1.1)
Other inflows		1.1	1.2
Net cash used in investing activities		**(255.4)**	**(159.2)**
Repayment of loans and borrowings	14	(550.0)	(234.0)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(138.0)	(112.5)
Other outflows		(1.6)	(1.7)
Net cash used in financing activities		**(689.6)**	**(348.2)**
Net (decrease)/increase in cash and cash equivalents		**(375.0)**	**244.3**

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

Cash and cash equivalents at the beginning of the period	**1,172.0****	**1,336.7*****
Effect of exchange rate fluctuations on cash and cash equivalents	0.5	(3.7)
Cash and cash equivalents at the end of the period	**797.5******	**1,577.3*******

* includes impact of derivative instruments and payment due to loan agreement modification
** Includes restricted cash amounting to PLN 10.5
*** includes restricted cash amounting to PLN 10.7
**** includes restricted cash amounting to PLN 11.6
***** includes restricted cash amounting to PLN 9.6

(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 3 months ended 31 March 2018

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 31 December 2017	**25.6**	**7,174.0**	**3.2**	**4,871.4**	**12,074.2**	**42.6**	**12,116.8**
Impact of the implementation of IFRS 15	-	-	-	496.4	496.4	-	**496.4**
Balance as at 1 January 2018	**25.6**	**7,174.0**	**3.2**	**5,367.8**	**12,570.6**	**42.6**	**12,613.2**
Total comprehensive income	-	-	(0.4)	300.8	300.4	(8.6)	**291.8**
Hedge valuation reserve	*-*	*-*	*(0.4)*	*-*	*(0.4)*	*-*	***(0.4)***
Net profit for the period	*-*	*-*	*-*	*300.8*	*300.8*	*(8.6)*	***292.2***
Balance as at 31 March 2018 unaudited	**25.6**	**7,174.0**	**2.8**	**5,668.6**	**12,871.0**	**34.0**	**12,905.0**

* 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.

Interim Consolidated Statement of Changes in Equity for the 3 months ended 31 March 2017

	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 2017	**25.6**	**7,174.0**	**4.5**	**4,095.5**	**11,299.6**	**78.0**	**11,377.6**
Total comprehensive income	-	-	(0.7)	279.4	278.7	(8.0)	**270.7**
Hedge valuation reserve	*-*	*-*	*(0.7)*	*-*	*(0.7)*	*-*	***(0.7)***
Net profit for the period	*-*	*-*	*-*	*279.4*	*279.4*	*(8.0)*	***271.4***
Balance as at 31 March 2017 unaudited	**25.6**	**7,174.0**	**3.8**	**4,374.9**	**11,578.3**	**70.0**	**11,648.3**

* 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.

Notes to the Interim Condensed Consolidated Financial Statements

General information

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,
- Katarzyna Ostap-Tomann	Member of the Management Board,
- Maciej Stec	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- 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,
- Tomasz Szeląg	Member of the Supervisory Board.

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

Statement of compliance

These interim condensed consolidated financial statements for the 3 months ended 31 March 2018 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 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

On 1 January 2018 the following become effective:

a) IFRS 9 Financial instruments,
b) IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 *Financial Instruments: Recognition and Measurement*.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value though other comprehensive income and at fair value through profit or loss. The new classification requirements didn't have material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

Loans as well as trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristic of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

In addition IFRS 9 includes optional hedge accounting requirements. The Group chose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

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As at 1 January 2018 the classification and carrying amount of the Group's financial instruments were as follows:

			IAS 39	IFRS 9
	IAS 39 classification	**IFRS 9 classification**	**Carrying amount**	**Carrying amount**
Loans granted	loans and receivables	amortised cost	4.5	4.5
Trade and other receivables	loans and receivables	amortised cost	2,454.5	2,454.5
Cash and cash equivalents and short-term deposits	loans and receivables	amortised cost	1,161.5	1,161.5
Restricted cash	loans and receivables	amortised cost	10.5	10.5
Loans and borrowings	other liabilities	amortised cost	(10,633.3)	(10,633.3)
Issued bonds	other liabilities	amortised cost	(1,018.2)	(1,018.2)
UMTS licence liabilities	other liabilities	amortised cost	(555.3)	(555.3)
Finance lease liabilities	other liabilities	amortised cost	(28.3)	(28.3)
Accruals	other liabilities	amortised cost	(760.5)	(760.5)
Trade and other payables and deposits	other liabilities	amortised cost	(665.3)	(665.3)
Total			**(10,029.9)**	**(10,029.9)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced in particular the existing standards IAS 18 *Revenue* and IAS 11 *Construction Contracts*.

In the case of the Group, the biggest change caused by the implementation of the standard concerns the recognition of revenues from multi-element contracts (e.g. mobile contract plus handset), which includes sale of subsidized products delivered at date of the agreement: the cumulative amount of revenues over the contract term didn't change, but there was a change in the allocation between revenues from sale of equipment and revenues from the services rendered (a greater part of the total remuneration is assigned to the equipment delivered in advance, requiring earlier recognition of revenue).

Earlier revenue recognition resulted in the recognition of contract assets in the balance sheet representing the Group's right to future remuneration for the products and serviced provided to the customer. In the case of sale of subsidized products the Group does not adjust the promised amount of consideration for the effects of a significant financing component as the Group expects, at the contract inception, that the period between the transfer of goods or services to a customer and the period when the customer pays for that good or service will be one year or less.

The Group does not identify material rights.

The Group usually sells its services and goods through distributors who act as an agent, which means that they do not assume all the risks associated with the delivery of goods and services, therefore sales revenue are recognized at the time of sale to the end customer.

The contractual liabilities included in the balance sheet refer mainly to the unused funds within the prepaid system.

The implementation of IFRS 15 resulted in a change in the accounting policy regarding the revenue recognition. The Group's process for revenue recognition from multi-element contracts (eg. mobile contract and handset) consists of:
a) assessment of all goods and services provided to the client under the contract and identifying separate performance obligations in that contract,
b) determining and allocating the transaction prices to separate performance obligations in the contract; the allocation is based on the reference to their relative standalone selling prices that could be obtained if the promised goods and services were sold individually in a separate transaction.

IFRS 15 is applied by the Group using the "modified retrospective approach" in which the cumulative effect of initially applying the standard is recognised as an adjustment to retained earnings at the date of initial application.

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

The implementation of IFRS 15 had following impact on the consolidated balance sheet as at 1 January 2018:

	1 January 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**1 January 2018 unaudited prepared in accordance with IFRS 15**
Reception equipment	325.3	-	325.3
Other property, plant and equipment	2,867.1	-	2,867.1
Goodwill	11,041.7	-	11,041.7
Customer relationships	2,557.3	-	2,557.3
Brands	2,037.1	-	2,037.1
Other intangible assets	3,261.5	-	3,261.5
Non-current programming assets	170.1	-	170.1
Investment property	5.1	-	5.1
Non-current deferred distribution fees	91.4	-	91.4
Other non-current assets, includes:	1,270.7	(27.7)	1,243.0
shares in associates accounted for using the equity method	*665.2*	-	*665.2*
derivative instruments	*1.9*	-	*1.9*
Deferred tax assets	197.2	-	197.2
Total non-current assets	**23,824.5**	**(27.7)**	**23,796.8**
Current programming assets	251.7	-	251.7
Contract assets	-	710.4	710.4
Inventories	283.7	25.2	308.9
Trade and other receivables	1,983.2	20.6	2,003.8
Income tax receivable	1.3	-	1.3
Current deferred distribution fees	207.9	-	207.9
Other current assets	31.7	-	31.7
includes derivative instruments assets	*5.1*	-	*5.1*
Cash and cash equivalents	1,161.5	-	1,161.5
Restricted cash	10.5	-	10.5
Total current assets	**3,931.5**	**756.2**	**4,687.7**
Total assets	**27,756.0**	**728.5**	**28.484.5**

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

	1 January 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**1 January 2018 unaudited prepared in accordance with IFRS 15**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Other reserves	3.2	-	3.2
Retained earnings	4,871.4	496.4	5,367.8
Equity attributable to equity holders of the Parent	**12,074.2**	**496.4**	**12,570.6**
Non-controlling interests	42.6	-	42.6
Total equity	**12,116.8**	**496.4**	**12,613.2**
Loans and borrowings	9,291.4	-	9,291.4
Issued bonds	975.7	-	975.7
Finance lease liabilities	18.6	-	18.6
UMTS license liabilities	440.8	-	440.8
Deferred tax liabilities	879.8	116.4	996.2
Deferred income	3.2	(3.2)	-
Other non-current liabilities and provisions	114.2	-	114.2
Total non-current liabilities	**11,723.7**	**113.2**	**11,836.9**
Loans and borrowings	1,341.9	-	1,341.9
Issued bonds	42.5	-	42.5
Finance lease liabilities	9.7	-	9.7
UMTS license liabilities	114.5	-	114.5
Contract liabilities	-	368.6	368.6
Trade and other payables	1,727.3	25.2	1,752.5
includes derivative instruments	*3.6*	-	*3.6*
Income tax liability	61.3	-	61.3
Deferred income	618.3	(274.9)	343.4
Total current liabilities	**3,915.5**	**118.9**	**4,034.4**
Total liabilities	**15,639.2**	**232.1**	**15,871.3**
Total equity and liabilities	**27.756.0**	**728.5**	**28,484.5**

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

To facilitate comparability between periods, the tables below present how the adoption of IFRS 15 affected the Interim Condensed Consolidated Financial Statements in the current period.

	for the 3 months ended		
	31 March 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited prepared in accordance with IFRS 15**
Revenue	**2,360.7**	**(14.8)**	**2,345.9**
Retail revenue	1,470.2	(118.0)	1,352.2
Wholesale revenue	635.9	-	635.9
Sale of equipment	208.6	108.9	317.5
Other revenue	46.0	(5.7)	40.3
Operating cost	**(1,903.1)**	**(14.0)**	**(1,917.1)**
Technical costs and cost of settlements with telecommunication operators	(504.5)	-	(504.5)
Depreciation, amortization, impairment and liquidation	(454.5)	-	(454.5)
Cost of equipment sold	(258.5)	(14.0)	(272.5)
Content costs	(269.4)	-	(269.4)
Distribution, marketing, customer relation management and retention costs	(205.2)	-	(205.2)
Salaries and employee-related costs	(143.8)	-	(143.8)
Cost of debt collection services, bad debt allowance and receivables written off	(11.9)	-	(11.9)
Other costs	(55.3)	-	(55.3)
Other operating income, net	**6.7**	**-**	**6.7**
Profit from operating activities	**464.3**	**(28.8)**	**435.5**
Gain/(loss) on investment activities, net	(3.4)	-	(3.4)
Finance costs	(72.6)	-	(72.6)
Share of the profit of associates accounted for using the equity method	5.2	-	5.2
Gross profit for the period	**393.5**	**(28.8)**	**364.7**
Income tax	(78.0)	5.5	(72.5)
Net profit for the period	**315.5**	**(23.3)**	**292.2**

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

	31 March 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited prepared in accordance with IFRS 15**
Reception equipment	312.5	-	312.5
Other property, plant and equipment	2,797.0	-	2,797.0
Goodwill	11,060.5	-	11,060.5
Customer relationships	2,458.6	-	2,458.6
Brands	2,031.0	-	2,031.0
Other intangible assets	3,146.4	-	3,146.4
Non-current programming assets	170.1	-	170.1
Investment property	5.1	-	5.1
Non-current deferred distribution fees	90.4	-	90.4
Other non-current assets, includes:	1,308.8	(28.2)	1,280.6
shares in associates accounted for using the equity method	*681.2*	-	*681.2*
derivative instruments	*0.1*	-	*0.1*
Deferred tax assets	178.4	-	178.4
Total non-current assets	**23,558.8**	**(28.2)**	**23,530.6**
Current programming assets	256.6	-	256.6
Contract assets	-	680.8	680.8
Inventories	293.7	11.6	305.3
Trade and other receivables	1,967.2	23.5	1,990.7
Income tax receivable	55.8	-	55.8
Current deferred distribution fees	206.9	-	206.9
Other current assets	70.2	-	70.2
includes derivative instruments	*2.7*	-	*2.7*
Cash and cash equivalents	785.9	-	785.9
Restricted cash	11.6	-	11.6
Total current assets	**3,647.9**	**715.9**	**4,363.8**
Total assets	**27,206.7**	**687.7**	**27,894.4**

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

	31 March 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited prepared in accordance with IFRS 15**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Other reserves	2.8	-	2.8
Retained earnings	5,195.5	473.1	5,668.6
Equity attributable to equity holders of the Parent	**12,397.9**	**473.1**	**12,871.0**
Non-controlling interests	34.0	-	34.0
Total equity	**12,431.9**	**473.1**	**12,905.0**
Loans and borrowings	9,474.7	-	9,474.7
Issued bonds	965.2	-	965.2
Finance lease liabilities	17.3	-	17.3
UMTS license liabilities	447.6	-	447.6
Deferred tax liabilities	923.9	110.9	1,034.8
Deferred income	3.1	(3.1)	-
Other non-current liabilities and provisions	122.4	-	122.4
includes derivative instruments	2.2	-	2.2
Total non-current liabilities	**11,954.2**	**107.8**	**12,062.0**
Loans and borrowings	552.9	-	552.9
Issued bonds	41.9	-	41.9
Finance lease liabilities	10.4	-	10.4
UMTS license liabilities	116.3	-	116.3
Contract liabilities	-	359.0	359.0
Trade and other payables	1,422.1	8.7	1,430.8
includes derivative instruments	*2.8*	-	*2.8*
Income tax liability	60.1	-	60.1
Deferred income	616.9	(260.9)	356.0
Total current liabilities	**2,820.6**	**106.8**	**2,927.4**
Total liabilities	**14,774.8**	**214.6**	**14,989.4**
Total equity and liabilities	**27,206.7**	**687.7**	**27,894.4**

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

	for the 3 months ended		
	31 March 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited prepared in accordance with IFRS 15**
Net profit	**315.5**	**(23.3)**	**292.2**
Adjustments for:	**317.6**	**23.3**	**340.9**
Depreciation, amortization, impairment and liquidation	454.5	-	454.5
Payments for film licenses and sports rights	(62.4)	-	(62.4)
Amortization of film licenses and sports rights	45.7	-	45.7
Interest expense	68.5	-	68.5
Change in inventories	(5.9)	13.6	7.7
Change in receivables and other assets	40.5	(2.4)	38.1
Change in liabilities, provisions and deferred income	(256.8)	(2.4)	(259.2)
Change in contract assets	-	29.6	29.6
Change in contract liabilities	-	(9.6)	(9.6)
Foreign exchange losses, net	4.6	-	4.6
Income tax	78.0	(5.5)	72.5
Net additions of reception equipment provided under operating lease	(25.7)	-	(25.7)
Share of the profit of associates accounted for using the equity method	(5.2)	-	(5.2)
Other adjustments	(18.2)	-	(18.2)
Cash from operating activities	**633.1**	**-**	**633.1**
Income tax paid	(70.6)	-	(70.6)
Interest received from operating activities	7.5	-	7.5
Net cash from operating activities	**570.0**	**-**	**570.0**
Acquisition of property, plant and equipment	(131.6)	-	(131.6)
Acquisition of intangible assets	(42.8)	-	(42.8)
Acquisition of shares in associates and other entities	(11.3)	-	(11.3)
Acquisition of subsidiaries, net of cash acquired	(16.7)	-	(16.7)
Proceeds from sale of property, plant and equipment	3.4	-	3.4
Investment funds outflows	(45.0)	-	(45.0)
Granted loans	(11.0)	-	(11.0)
Other investing activities – derivatives	(1.5)	-	(1.5)
Other inflows	1.1	-	1.1
Net cash used in investing activities	**(255.4)**	**-**	**(255.4)**
Repayment of loans and borrowings	(550.0)	-	(550.0)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*	(138.0)	-	(138.0)
Other outflows	(1.6)	-	(1.6)
Net cash used in financing activities	**(689.6)**	**-**	**(689.6)**
Net decrease in cash and cash equivalents	**(375.0)**	**-**	**(375.0)**
Cash and cash equivalents at the beginning of the period	**1,172.0****	**-**	**1,172.0****
Effect of exchange rate fluctuations on cash and cash equivalents	0.5	-	0.5
Cash and cash equivalents at the end of the period	**797.5*****	**-**	**797.5*****

* includes impact of derivative instruments and payment due to loan agreement modification
** Includes restricted cash amounting to PLN 10.5
*** includes restricted cash amounting to PLN 11.6

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5. Group structure

These interim condensed consolidated financial statements for the 3 months ended 31 March 2018 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	31 March 2018	31 December 2017
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%
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%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	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	telecommunication activities	100%	100%
Polsat Brands AG	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.	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%

(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	31 March 2018	31 December 2017
Subsidiaries accounted for using full method (cont.)				
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial 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%
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%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	100%	100%
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%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	ul. Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. s.k.	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium rate services	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	*	*

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	Entity's registered office	Activity	Share in voting rights (%) 31 March 2018	Share in voting rights (%) 31 December 2017
Subsidiaries accounted for using full method (cont.)				
Litenite Ltd.	Kostaki Pantelidi 1 1010, Nicosia, Cyprus	holding activities	100%	100%
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
Eska TV S.A.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Lemon Records Sp. z o.o.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Coltex ST Sp. z o.o.(a)	Szymanowskiego 2, 80-280 Gdańsk	telecommunication activities	100%	-

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

(a) Company consolidated from 1 March 2018 following acquisition of 100% shares by the Group (see note 16).

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) 31 March 2018	Share in voting rights (%) 31 December 2017
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%
TV Spektrum Sp. z o.o.(a)	Dęblińska 6, 04-187 Warsaw	television broadcasting and production	49.48%	34.02%
Netia S.A.(b)	Poleczki 13, 02-822 Warsaw	telecommunication activities	32.998%	31.76%

(a) On 4 February 2018 Telewizja Polsat Sp. z o.o. acquired 15.46% shares in TV Spektrum Sp. z o.o.

(b) On 14 March 2018 decrease in the share capital of Netia S.A. was registered.

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Additionally, the following entities were included in these interim condensed consolidated financial statements for the 3 months ended 31 March 2018:

	Entity's registered office	Activity	Share in voting rights (%) 31 March 2018	31 December 2017
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	1.5%**	1.5%**
Premium Mobile S.A.	Gintrowskiego 31, 02-697 Warsaw	telecommunication activities	1%	-

* Investment accounted for at cost less any accumulated impairment losses

** Altalog Sp. z o.o. holds 2.3% 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 9 May 2018.

Explanatory notes

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 decrease in the first quarter of each year due to fewer number of calendar and business days.

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8. Revenue

	for the 3 months ended	
	31 March 2018 unaudited *(IFRS 15 basis)*	**31 March 2017 unaudited** *(IAS 18 basis)*
Retail revenue	1,352.2	1,542.7
Wholesale revenue	635.9	562.1
Sale of equipment	317.5	248.6
Other revenue	40.3	35.2
Total	**2,345.9**	**2,388.6**

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.

Other revenue mainly consists of revenue from interest on installment plan purchases, revenue from the lease of premises and facilities and revenue from the sale of electric energy.

9. Operating costs

		for the 3 months ended	
	Note	**31 March 2018 unaudited** *(IFRS 15 basis)*	**31 March 2017 unaudited** (IAS 18 basis)
Technical costs and cost of settlements with telecommunication operators		504.5	468.2
Depreciation, amortization, impairment and liquidation		454.5	472.3
Cost of equipment sold		272.5	323.6
Content costs		269.4	264.3
Distribution, marketing, customer relation management and retention costs		205.2	211.1
Salaries and employee-related costs	a	143.8	127.8
Cost of debt collection services, bad debt allowance and receivables written off		11.9	19.3
Other costs		55.3	51.6
Total		**1,917.1**	**1,938.2**

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a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Salaries	117.9	105.3
Social security contributions	21.6	18.7
Other employee-related costs	4.3	3.8
Total	**143.8**	**127.8**

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

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Interest net	5.2	9.7
Other foreign exchange gains/(losses), net	(4.2)	33.0
Other costs	(4.4)	(12.2)
Total	**(3.4)**	**30.5**

11. Finance costs

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Interest expense on loans and borrowings	89.3	91.0
Interest expense on issued bonds	10.6	31.1
Early redemption costs	-	58.7
Cumulative catch-up	(33.9)	-
Valuation and realization of hedging instruments	-	(0.1)
Valuation and realization of derivatives not used in hedge accounting	6.0	3.4
Guarantee fees, bank and other charges	0.6	1.4
Total	**72.6**	**185.5**

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12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2018 and 31 December 2017:

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 31 March 2018 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Reddev Investments Ltd. [1]	175,245,671	7.0	27.40%	348,791,922	42.59%
Karswell Ltd. [2]	133,411,161	5.4	20.86%	133,411,161	16.29%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Others	272,825,236	10.9	42.66%	278,696,486	34.03%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

[2] Entity is controlled by Mr. Zygmunt Solorz.

The shareholders' structure as at 31 December 2017 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]	55,092,796	2.3	8.61%	82,005,421	10.01%
Embud 2 Sp. z o.o. S.K.A. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,196,708	8.5	33.50%	214,196,708	26.16%
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.

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2018	2017
Balance as at 1 January	**0.1**	**1.2**
Valuation of cash flow hedges	(0.5)	(0.9)
Deferred tax	0.1	0.2
Change for the period	**(0.4)**	**(0.7)**
Balance as at 31 March unaudited	**(0.3)**	**0.5**

14. Loans and borrowings

Loans and borrowings	**31 March 2018 unaudited**	**31 December 2017**
Short-term liabilities	552.9	1,341.9
Long-term liabilities	9,474.7	9,291.4
Total	**10,027.6**	**10,633.3**

Change in loans and borrowings liabilities:

	2018	2017
Loans and borrowings as at 1 January	**10,633.3**	**10,572.7**
Cumulative catch-up	(33.9)	-
Repayment of capital	(550.0)	(234.0)
Repayment of interest and commissions	(111.1)	(86.9)
Interest accrued	89.3	91.0
Loans and borrowings as at 31 March unaudited	**10,027.6**	**10,342.8**

15. Issued bonds

	31 March 2018 unaudited	**31 December 2017**
Short-term liabilities	41.9	42.5
Long-term liabilities	965.2	975.7
Total	**1,007.1**	**1,018.2**

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Change in issued bonds:

	2018	2017
Issued bonds as at 1 January	**1,018.2**	**1,878.1**
Repayment of interest and commission	(21.7)	(21.6)
Early redemption fee	-	58.7
Interest accrued	10.6	31.1
Issued bonds payable as at 31 March unaudited	**1,007.1**	**1,946.3**

Other notes

16. Acquisition of shares in Coltex ST Sp. z o.o.

On 1 March 2018 Liberty Poland S.A. (Company's indirect subsidiary) acquired 100% shares of Coltex ST Sp. z o.o. („Coltex") from Coltex Rogala sp.j., Star Telecom Sp. z o.o. and R.S. Trading Lachowscy sp.j.

The consideration for the 100% shares of Coltex amounted to PLN 23.7.

a) Provisional consideration transferred

	Provisional value of consideration transferred
Cash transferred for the 100% shares of Coltex	23.7
Provisional value as at 1 March 2018	**23.7**

b) Reconciliation of transactional cash flow

Cash transferred	(23.7)
Cash and cash equivalents received	7.0
Cash decrease in the period of 3 months ended 31 March 2018	**(16.7)**

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 1 March 2018:

	Provisional fair value as at the acquisition date (1 March 2018)
Net assets:	
Inventories	4.0
Trade receivables and other receivables	16.1
Cash and cash equivalents	7.0
Trade liabilities and other liabilities	(22.2)
Provisional value of net assets	**4.9**
Consideration transferred as at 1 March 2018	**23.7**
Provisional goodwill	**18.8**

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

The revenue and net profit included in the interim consolidated income statement for the reporting period since 1 March 2018 contributed by Coltex amounted to PLN 0 and PLN 0.1, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the interim consolidated income statement for the 3 months ended 31 March 2018 would have amounted to PLN 2,346.0 and PLN 292.1, 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. The operating segments also represent reportable segments of the Group.
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,
- 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,

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

- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services,
- 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;
- Premium Rate services based on SMS/IVR/MMS/WAP technology,
- production of set-top boxes,
- sale of telecommunication equipment,
- sale of electric energy and other media to retail customers.

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 3 months ended 31 March 2018:

The 3 months ended 31 March 2018 (unaudited) (IFRS 15 basis)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,036.8	309.1	-	2,345.9
Inter-segment revenues	12.6	40.5	(53.1)	-
Revenues	**2,049.4**	**349.6**	**(53.1)**	**2,345.9**
EBITDA (unaudited)	**755.0**	**135.0**	**-**	**890.0**
Depreciation, amortization, impairment and liquidation	444.3	10.2	-	454.5
Profit from operating activities	**310.7**	**124.8**	**-**	**435.5**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	191.2*	9.4	-	200.6
Balance as at 31 March 2018 (unaudited)				
Assets, including:	23,279.4	4,677.3**	(62.3)	**27,894.4**
Investments in joint venture	-	5.9	-	5.9

* 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 12.1.

All material revenues are generated in Poland.

It should be noted that the data for 3 months ended 31 March 2018 allocated to the "Services to individual and business customers" segment are not comparable to the 3 months ended 31 March 2017 as LTE Holdings Limited was disposed on 19 June 2017, 51% shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) were acquired on 7 September 2017, 31.76% shares in Netia S.A. were acquired on 5 December 2017 (after registration of decrease in the share capital of Netia S.A. on 14 March 2018 the Group holds 32.998% shares in Netia S.A.), shares in New Media Ventures Sp. z o.o. were disposed on 8 December 2017 and Coltex ST Sp. z o.o. were acquired on 1 March 2018.

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

It should be noted also that the data for 3 months ended 31 March 2018 allocated to the "Broadcasting and television production" are not comparable to the 3 months ended 31 March 2017 as Eska TV S.A. and Lemon Records Sp. z o.o. were acquired on 4 December 2017, 34.02% shares in TV Spektrum Sp. z o.o. were acquired on 4 December 2017 and next 15.46% shares in TV Spectrum Sp. z o.o. on 2 February 2018.

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 3 months ended 31 March 2017:

The 3 months ended 31 March 2017 (unaudited) (IAS 18 basis)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,120.1	268.5	-	2,388.6
Inter-segment revenues	9.8	36.5	(46.3)	-
Revenues	**2,129.9**	**305.0**	**(46.3)**	**2,388.6**
EBITDA (unaudited)	**821.4**	**108.1**	**-**	**929.5**
Depreciation, amortization, impairment and liquidation	462.7	9.6	-	472.3
Profit from operating activities	**358.7**	**98.5**	**-**	**457.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	196.5*	8.9	-	205.4
Balance as at 31 March 2017 (unaudited)				
Assets, including:	23,112.5	4,488.3**	(47.6)	**27,553.2**
Investments in joint venture	-	5.9	-	5.9

* 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 15.1.

Reconciliation of EBITDA and Net profit for the period:

	for the 3 months ended	
	31 March 2018 unaudited *(IFRS 15 basis)*	**31 March 2017 unaudited** *(IAS 18 basis)*
EBITDA (unaudited)	**890.0**	**929.5**
Depreciation, amortization, impairment and liquidation (note 9)	(454.5)	(472.3)
Profit from operating activities	**435.5**	**457.2**
Other foreign exchange rate differences, net (note 10)	(4.2)	33.0
Interest costs, net (note 10 and 11)	(100.7)	(115.7)
Early redemption costs (note 11)	-	(58.7)
Cumulative catch-up (note 11)	33.9	-
Share of the profit of associates accounted for using the equity method	5.2	-
Other	(5.0)	(13.6)
Gross profit for the period	**364.7**	**302.2**
Income tax	(72.5)	(30.8)
Net profit for the period	**292.2**	**271.4**

(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

	31 March 2018 unaudited	31 December 2017
Joint ventures	5.3	3.3
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.	11.0	6.6
Total*	**16.3**	**9.9**

* Amounts presented above do not include deposits paid (31 March 2018 – PLN 3.4, 31 December 2017 – PLN 3.4)

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

Other assets

	31 March 2018 unaudited	31 December 2017
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.	0.2	0.3
Total	**0.2**	**0.3**

Liabilities

	31 March 2018 unaudited	31 December 2017
Joint ventures	10.9	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.	32.6	35.5
Total	**43.5**	**37.6**

Loans granted

	31 March 2018 unaudited	31 December 2017
Joint ventures	10.0	-
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.	2.1	2.1
Total	**12.1**	**2.1**

Revenues

	for the 3 months ended	
	31 March 2018 unaudited	31 March 2017 unaudited
Joint ventures	9.6	0.1
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.	12.0	4.1
Total	**21.6**	**4.2**

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

Expenses and purchases of programming assets

	for the 3 months ended	
	31 March 2018 unaudited	31 March 2017 unaudited
Joint ventures	14.3	0.6
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.	49.0	62.8
Total	**63.3**	**63.4**

In 3 months ended 31 March 2018 the most significant transactions include cost of electrical energy, property rental, expenses for programming assets and advertising services.
In 3 months ended 31 March 2017 the most significant transactions include property rental, cost of electrical energy, expenses for programming assets and advertising services.

Gain on investment activities, net

	for the 3 months ended	
	31 March 2018 unaudited	31 March 2017 unaudited
Joint ventures	0.1	0.7
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.	-	0.1
Total	**0.1**	**0.8**

Finance costs

	for the 3 months ended	
	31 March 2018 unaudited	31 March 2017 unaudited
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.	-	72.9
Total	**-**	**72.9**

19. Contingent liabilities

Management believes that the provisions as at 31 March 2018 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 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. On 23 March 2018, SOKiK dismissed Polkomtel's appeal by upholding the decision of the President of UOKiK.

Other proceedings

On 28 April 2017, ZASP filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirety. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement.

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. Other significant proceedings described in the consolidated financial statements for the year ended 31 December 2017 remained unchanged.

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 2017. There have been no significant changes in any risk management policies since the end of year 2017.

Liquidity risk

Pursuant to Second Amendment and Restatement Deed entered into on 2 March 2018 (see note 21) the contractual cash flows related to bank loans has changed, as compared to 31 December 2017.

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.

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

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

			31 March 2018 unaudited *(IFRS 15 basis)*		**31 December 2017** *(IAS 18 basis)*	
	Category according to IFRS 9	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	15.7	15.7	4.5	4.5
Trade and other receivables	A	*	2,432.7	2,432.7	2,454.5	2,454.5
Contract assets	A	*	680.8	680.8	-	-
Cash and cash equivalents and short-term deposits	A	*	785.9	785.9	1,161.5	1,161.5
Restricted cash	A	*	11.6	11.6	10.5	10.5
Loans and borrowings	B	2	(10,147.8)	(10,027.6)	(10,692.0)	(10,633.3)
Issued bonds	B	1	(1,028.4)	(1,007.1)	(1,036.7)	(1,018.2)
UMTS licence liabilities	B	2	(601.3)	(563.9)	(594.2)	(555.3)
Finance lease liabilities	B	2	(27.7)	(27.7)	(28.3)	(28.3)
Accruals	B	*	(669.2)	(669.2)	(760.5)	(760.5)
Trade and other payables and deposits	B	*	(528.2)	(528.2)	(665.3)	(665.3)
Total			**(9,075.9)**	**(8,897.0)**	**(10,146.0)**	**(10,029.9)**
Unrecognized loss				(178.9)		(116.1)

A – assets subsequently measured at amortised cost

B – liabilities subsequently measured at amortised cost

* It is assumed that the fair value of these financial assets and liabilities 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, 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 interest rate plus a margin regarding the credit risk.

As at 31 March 2018 and 31 December 2017 loans and borrowings comprised senior facilities. 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 as at 31 March 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed dates of repayment of the loans) were analyzed. When determining the fair value of senior facilities as at 31 December 2017, forecasted cash flows from the reporting date to 21 September 2020 (assumed dates of repayment of the loans as at 31 December 2017) 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 bonds issued by Cyfrowy Polsat S.A as at 31 March 2018 and 31 December 2017 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations.

As at 31 March 2018, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	31 March 2018 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**2.6**	**-**
Forward transactions		*-*	*0.1*	*-*
Interest rate swaps		*-*	*2.5*	*-*
Hedging derivative instruments		**-**	**0.2**	**-**
Interest rate swaps		*-*	*0.2*	*-*
Investments in equity instruments		**-**	**0.6**	**-**
Total		**-**	**3.4**	**-**

Liabilities measured at fair value

	31 March 2018 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(4.4)**	**-**
Interest rate swaps		*-*	*(4.4)*	*-*
Hedging derivative instruments		**-**	**(0.6)**	**-**
Interest rate swaps		*-*	*(0.6)*	*-*
Total		**-**	**(5.0)**	**-**

As at 31 December 2017, the Group held the following financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value

	31 December 2017	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**6.4**	**-**
Interest rate swaps		*-*	*6.4*	*-*
Hedging derivative instruments		**-**	**0.6**	**-**
Interest rate swaps		*-*	*0.6*	*-*
Total		**-**	**7.0**	**-**

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

Liabilities measured at fair value

	31 December 2017	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(3.1)**	**-**
Forward transactions		*-*	*(1.5)*	*-*
Interest rate swaps		*-*	*(1.6)*	*-*
Hedging derivative instruments		**-**	**(0.5)**	**-**
Interest rate swaps		*-*	*(0.5)*	*-*
Total		**-**	**(3.6)**	**-**

The fair value of forwards and 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.

21. Important agreements and events

Cross-border merger

On 9 January 2018 the Extraordinary General Meeting of the Company adopted a resolution concerning the cross-border merger by acquisition of Cyfrowy Polsat (Acquiring Company) and Eileme 1 AB (Ceasing Company). The merger will be effected by transferring all of the assets and liabilities of the Ceasing Company to the Acquiring Company and dissolving the Ceasing Company without liquidation.

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012.
The decision is neither final nor enforceable. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

The Tax Office control activities in the aforesaid matter are in progress in relation to 2013 and 2014. If an unfavorable and, in the opinion of the Company, incorrect interpretation of tax regulations relating to disputed matter is upheld, the Tax Authority may issue a decision assessing additional tax liabilities.

Acquisition of shares

On 2 February 2018 Company's subsidiary acquired 15.46% of shares in TV Spektrum Sp. z o.o.

On 1 March 2018 Company's indirect subsidiary acquired 100% of shares in Coltex ST Sp. z o.o. (see note 16).

Amendments and restatement deed to the facilities agreement

On 2 March 2018 the Company (acting as the obligors' agent) and UniCredit Bank AG (acting as finance parties' agent) entered into Second Amendment and Restatement Deed to the Facilities Agreement dated 21 September 2015 and amended by the Amendment, Restatement and Consolidation Deed dated 21 September 2015. The Second Amendment and Restatement Deed amends *inter alia* the termination date of the Term Facility and the Revolving Facility to 30 September 2022 (originally set on 21 September 2020). Pursuant to the agreement the repayment schedule has been changed as follows:

- in years 2019-2021 the Term Facility annual payments amount to PLN 1,017.6,
- in 2022 the Term Facility payments amount to PLN 6,626.7.

The Second Amendment and Restatement Deed also amends the level of the ratio of consolidated net debt to consolidated EBITDA, upon achieving of which the Company may request the release of security established in connection with the Facilities Agreement (excluding the release of guarantees granted pursuant to the Facilities Agreement) or after exceeding of which the Company shall re-establish the released security, is revised to 3.00:1 (originally 1.75:1).

The primary objective of the capital resources management policy of Cyfrowy Polsat Capital Group remains the continued reduction of indebtedness below the level of 1.75x consolidated net debt/consolidated EBITDA.

The legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication concession for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (now Aero 2 Sp. z o.o.) and CenterNet S.A. (now Aero 2 Sp. z o.o.). 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'. On 23 December 2016 President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated 4 August 2017 President of UKE notified the parties that the tender dated 2007 has been annulled. On 13 October 2017 Aero 2 Sp. z o.o. (a successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated 4 August 2017 concerning the annulment of the tender procedure. On 31 January 2018 the President of UKE upheld its decision dated 4 August 2017. On 7 March 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw. The case is awaiting the date of the hearing.
The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with President of UKE's press release, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions. In management's opinion this issue should have no negative impact on the results and financial condition of the Group. Accordingly, no valuation adjustment has been made in these consolidated financial statements.

22. Events subsequent to the reporting date

Cross-border merger

On 28 April 2018 the cross-border merger of Cyfrowy Polsat S.A. and Eileme 1 AB (publ) was registered. The surviving entity is Cyfrowy Polsat S.A.

Changes in shareholder structure

On 26 April 2018, Karswell Limited (Karswell) disposed of 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company. Following the transaction, Karswell holds directly 10,000,000 shares of the Company, constituting 1.56% of the share capital of the Company, representing 1.22% of the total number of the votes at the General Meeting of the Company.

On 26 April 2018 Reddev Investements Limited (Reddev) acquired 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company. Following the transaction, TiVi Foundation holds indirectly and Reddev hold directly 298,656,832 shares of the Company, constituting 46.70% of the share capital of the Company, representing 57.66% of the total number of the votes at the General Meeting of the Company.

Decision of the Director of the Revenue Administration Regional Office in Warsaw

On 8 May 2018 the Management Board of Cyfrowy Polsat S.A. was notified that the Company's plenipotentiary received a decision of the Director of the Revenue Administration Regional Office in Warsaw dated 30 April 2018 upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw dated 25 May 2017, determining the value of tax obligation in relation to corporate income tax for the year 2011 at a higher level than the declared value, by PLN 40.6 increased by interest on tax arrears. The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw in question and intends to appeal against it. At present the Company does not intend to create any provisions encumbering its financial results.

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 SFA Agreement, Senior Notes and loans acquired upon acquisition of Litenite. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

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

Commitments to purchase programming assets

As at 31 March 2018 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 March 2018 unaudited	31 December 2017
within one year	315.2	192.6
between 1 to 5 years	636.8	612.1
more than 5 years	4.4	15.0
Total	**956.4**	**819.7**

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

	31 March 2018 unaudited	31 December 2017
within one year	18.5	0.2
Total	**18.5**	**0.2**

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 186.6 as at 31 March 2018 (PLN 110.4 as at 31 December 2017). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 31 March 2018 was PLN 245.5 (PLN 272.5 as at 31 December 2017).

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.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 months ended 31 March 2018

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 9 May 2018, 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 2018 to 31 March 2018 showing a net profit for the period of:	PLN 55.5
Interim Statement of Comprehensive Income for the period from 1 January 2018 to 31 March 2018 showing a total comprehensive income for the period of:	PLN 55.1
Interim Balance Sheet as at 31 March 2018 showing total assets and total equity and liabilities of:	PLN 13,562.9
Interim Cash Flow Statement for the period from 1 January 2018 to 31 March 2018 showing a net increase in cash and cash equivalents amounting to:	PLN 8.3
Interim Statement of Changes in Equity for the period from 1 January 2018 to 31 March 2018 showing an increase in equity of:	PLN 104.9

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, 9 May 2018

(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 31 March 2018 unaudited *(IFRS 15 basis)*	 31 March 2017 unaudited *(IAS 18 basis)*
Revenue	7	583.7	557.8
Operating costs	8	(509.5)	(481.0)
Other operating income, net		1.3	2.4
Profit from operating activities		**75.5**	**79.2**
Gain/(loss) on investment activities, net	9	15.7	11.7
Finance costs	10	(15.6)	(21.5)
Gross profit for the period		**75.6**	**69.4**
Income tax		(20.1)	(12.8)
Net profit for the period		**55.5**	**56.6**
Basic and diluted earnings per share (in PLN)		**0.09**	**0.09**

Interim Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2018 unaudited *(IFRS 15 basis)*	 31 March 2017 unaudited *(IAS 18 basis)*
Net profit for the period		**55.5**	**56.6**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	12	(0.5)	(0.9)
Income tax relating to hedge valuation	12	0.1	0.2
Items that may be reclassified subsequently to profit or loss		**(0.4)**	**(0.7)**
Other comprehensive loss, net of tax		**(0.4)**	**(0.7)**
Total comprehensive income for the period		**55.1**	**55.9**

(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

	31 March 2018 unaudited *(IFRS 15 basis)*	**31 December 2017** *(IAS 18 basis)*
Reception equipment	345.0	357.9
Other property, plant and equipment	114.2	114.6
Goodwill	197.0	197.0
Other intangible assets	64.6	66.3
Investment property	35.8	36.3
Shares in subsidiaries and associates	12,125.5	12,125.5
includes shares in associate	*638.7*	*638.7*
Non-current deferred distribution fees	32.3	33.1
Other non-current assets	0.2	27.6
includes derivative instruments	-	*0.2*
Total non-current assets	**12,914.6**	**12,958.3**
Contract assets	171.2	-
Inventories	66.1	65.6
Trade and other receivables	195.3	273.9
Income tax receivables	-	0.8
Current deferred distribution fees	74.7	75.0
Other current assets	102.9	133.7
includes derivative instruments	*0.2*	*0.4*
Cash and cash equivalents	38.1	29.5
Total current assets	**648.3**	**578.5**
Total assets	**13,562.9**	**13,536.8**

(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	31 March 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	(0.3)	0.1
Retained earnings		3,818.0	3,712.7
Total equity		**11,017.3**	**10,912.4**
Loans and borrowings	13	727.3	535.0
Issued bonds	14	965.2	975.7
Finance lease liabilities		1.1	-
Deferred tax liabilities		103.0	83.4
Deferred income		-	3.2
Other non-current liabilities and provisions		1.5	1.4
includes derivative instruments		*0.1*	-
Total non-current liabilities		**1,798.1**	**1,598.7**
Loans and borrowings	13	156.2	379.9
Issued bonds	14	41.9	42.5
Finance lease liabilities		0.2	-
Contract liabilities		5.5	-
Trade and other payables		290.5	351.5
includes derivative instruments		*0.5*	*0.5*
Income tax liability		17.7	19.5
Deposits for equipment		2.5	2.4
Deferred income		233.0	229.9
Total current liabilities		**747.5**	**1,025.7**
Total liabilities		**2,545.6**	**2,624.4**
Total equity and liabilities		**13,562.9**	**13,536.8**

(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 3 months ended 31 March 2018 unaudited *(IFRS 15 basis)*	31 March 2017 unaudited *(IAS 18 basis)*
Net profit		**55.5**	**56.6**
Adjustments for:		**29.2**	**(5.2)**
Depreciation, amortization, impairment and liquidation	8	50.9	54.8
Interest expense		18.5	18.7
Change in inventories		(0.5)	(14.6)
Change in receivables and other assets		38.0	27.0
Change in liabilities, provisions and deferred income		(46.6)	(49.7)
Change in contract assets		(5.4)	-
Change in contract liabilities		0.2	-
Income tax		20.1	12.8
Net increase in reception equipment provided under operating lease		(27.8)	(39.2)
Dividends income and share in the profits of partnerships	9	(13.6)	(12.2)
Other adjustments		(4.6)	(2.8)
Cash from operating activities		**84.7**	**51.4**
Income tax paid		(13.1)	(15.4)
Interest received from operating activities		0.1	1.3
Net cash from operating activities		**71.7**	**37.3**
Received dividends and shares in the profits of partnerships		2.6	2.6
Acquisition of property, plant and equipment		(4.7)	(2.3)
Acquisition of intangible assets		(4.7)	(3.3)
Proceeds from sale of property, plant and equipment		0.1	5.7
Net cash (used in)/from investing activities		**(6.7)**	**2.7**
Net cash from the Cash Management System Agreement with interest paid	13	(26.3)	-
Payment of interest on loans, borrowings, bonds and commissions*		(30.4)	(29.9)
Repayment of loans and borrowings	13	-	(50.5)
Net cash used in financing activities		**(56.7)**	**(80.4)**
Net increase/(decrease) in cash and cash equivalents		**8.3**	**(40.4)**
Cash and cash equivalents at the beginning of period		**29.5**	**278.8**
Effect of exchange rate fluctuations on cash and cash equivalents		0.3	-
Cash and cash equivalents at the end of period		**38.1**	**238.4**

* Includes impact of hedging instruments and payment due to loan agreement modification

(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 3 months ended 31 March 2018

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 31 grudnia 2017	**25.6**	**7,174.0**	**0.1**	**3,712.7**	**10,912.4**
Impact of the implementation of IFRS 15	-	-	-	49.8	**49.8**
Balance as at 1 January 2018	**25.6**	**7,174.0**	**0.1**	**3,762.5**	**10,962.2**
Total comprehensive income	-	-	(0.4)	55.5	**55.1**
Hedge valuation reserve	-	-	*(0.4)*	-	***(0.4)***
Net profit for the period	-	-	-	*55.5*	***55.5***
Balance as at 31 March 2018 unaudited	**25.6**	**7,174.0**	**(0.3)**	**3,818.0**	**11,017.3**

* 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 3 months ended 31 March 2017

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2017	**25.6**	**7,174.0**	**1.2**	**3,311.4**	**10,512.2**
Total comprehensive income	-	-	(0.7)	56.6	**55.9**
Hedge valuation reserve	-	-	*(0.7)*	-	**(0.7)**
Net profit for the period	-	-	-	*56.6*	**56.6**
Balance as at 31 March 2017 unaudited	**25.6**	**7,174.0**	**0.5**	**3,368.0**	**10,568.1**

* 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.

Notes to the Interim Condensed Financial Statements

General information

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'). As at 31 March 2018, the Group encompasses the Company, Eileme 1 AB (publ) ('Eileme 1') 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., Interphone Service Sp. z o.o., Teleaudio Dwa Sp. z o.o. Sp.k. and Orsen Holding Limited and its subsidiaries. On 5 December 2017 the Company acquired 31,76% shares of Netia S.A. On 14 March 2018 a decrease in the share capital of Netia S.A. was registered and since that day the Company holds 32.998% shares of Netia S.A.

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,
- Katarzyna Ostap-Tomann	Member of the Management Board,
- Maciej Stec	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- 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,
- Tomasz Szeląg	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 3 months ended 31 March 2018 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 2017, 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 9 May 2018). These interim condensed financial statements should be read together with the interim condensed consolidated financial statements.

On 1 January 2018 the following became effective:

a) IFRS 9 Financial instruments,
b) IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value though other comprehensive income and at fair value through profit or loss. The new classification requirements didn't have material impact on its accounting for trade receivables, loans, investments in debt securities and investments in equity securities that are managed on a fair value basis.

Loans as well as trade and other receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristic of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9.

IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

In addition IFRS 9 includes optional hedge accounting requirements. The Company chose as its accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

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

As at 1 January 2018 the classification and carrying amount of the Company's financial instruments were as follows:

			IAS 39	IFRS 9
	IAS 39 classification	**IFRS 9 classification**	**Carrying amount**	**Carrying amount**
Loans granted	loans and receivables	amortised cost	2.5	2.5
Trade and other receivables	loans and receivables	amortised cost	278.1	278.1
Cash and cash equivalents	loans and receivables	amortised cost	29.5	29.5
Loans and borrowings	other liabilities	amortised cost	(914.9)	(914.9)
Issued bonds	other liabilities	amortised cost	(1,018.2)	(1,018.2)
Accruals	other liabilities	amortised cost	(157.7)	(157.7)
Trade and other payables and deposits	other liabilities	amortised cost	(168.9)	(168.9)
Total			**(1,949.6)**	**(1,949.6)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles-based five-step model for the determination and recognition of revenue to be applied to all contracts with customers. It replaced in particular the existing standards IAS 18 *Revenue* and IAS 11 *Construction Contracts*.

In the case of the Company, the biggest change caused by the implementation of the standard concerns the recognition of revenues from multi-element contracts, where the range of services is diversified (e.g. providing a wider range of services during the promotional period, when the subscriber is not required to pay subscription fees): the cumulative amount of revenues over the contract term didn't change, but there was a change in the period when the revenue for the services shall be recognised and a partial change in the allocation of revenues between revenues from the sale of equipment and revenues from services rendered.

Earlier revenue recognition resulted in the recognition of contract assets in the balance sheet representing the Company's right to future remuneration for the products and serviced provided to the customer.

The Company does not identify material rights.

The Company usually sells its services and goods through distributors who act as an agent, which means that they do not assume all the risks associated with the delivery of goods and services, therefore sales revenue are recognized at the time of sale to the end customer.

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The implementation of IFRS 15 resulted in a change in the accounting policy regarding the revenue recognition. The Company's process for revenue recognition from multi-element contracts consists of:
a) assessment of all goods and services provided to the client under the contract and identifying separate performance obligations in that contract
b) determining and allocating the transaction prices to separate performance obligations in the contract; the allocation is based on the reference to their relative standalone selling prices that could be obtained if the promised goods and services were sold individually in a separate transaction.

IFRS 15 is applied by the Company using the "modified retrospective approach" in which the cumulative effect of initially applying the standard is recognised as an adjustment to retained earnings at the date of initial application.

The implementation of IFRS 15 had the following impact on the balance sheet as at 1 January 2018:

	1 January 2018 unaudited in accordance with IAS 18	**Adjustments**	**1 January 2018 unaudited in accordance with IFRS 15**
Reception equipment	357.9	-	357.9
Other property, plant and equipment	114.6	-	114.6
Goodwill	197.0	-	197.0
Other intangible assets	66.3	-	66.3
Investment property	36.3	-	36.3
Shares in subsidiaries and associates	12,125.5	-	12,125.5
includes shares in associate	*638.7*	-	*638.7*
Non-current deferred distribution fees	33.1	-	33.1
Other non-current assets, includes:	27.6	(27.4)	0.2
includes derivative instruments	*0.2*	-	*0.2*
Total non-current assets	**12,958.3**	**(27.4)**	**12,930.9**
Contract assets	-	165.8	165.8
Inventories	65.6	-	65.6
Trade and other receivables	273.9	(83.6)	190.3
Income tax receivable	0.8	-	0.8
Current deferred distribution fees	75.0	-	75.0
Other current assets	133.7	-	133.7
includes derivative instruments	*0.4*	-	*0.4*
Cash and cash equivalents	29.5	-	29.5
Total current assets	**578.5**	**82.2**	**660.7**
Total assets	**13,536.8**	**54.8**	**13,591.6**

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

	1 January 2018 unaudited in accordance with IAS 18	**Adjustments**	**1 January 2018 unaudited in accordance with IFRS 15**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	0.1	-	0.1
Retained earnings	3,712.7	49.8	3,762.5
Total equity	**10,912.4**	**49.8**	**10,962.2**
Loans and borrowings	535.0	-	535.0
Issued bonds	975.7	-	975.7
Deferred tax liabilities	83.4	11.6	95.0
Deferred income	3.2	(3.2)	-
Other non-current liabilities and provisions	1.4	-	1.4
Total non-current liabilities	**1,598.7**	**8.4**	**1,607.1**
Loans and borrowings	379.9	-	379.9
Issued bonds	42.5	-	42.5
Contract liabilities	-	5.3	5.3
Trade and other payables	351.5	-	351.5
includes derivative instruments	*0.5*	-	*0.5*
Income tax liability	19.5	-	19.5
Deposits for equipment	2.4	-	2.4
Deferred income	229.9	(8.7)	221.2
Total current liabilities	**1,025.7**	**(3.4)**	**1,022.3**
Total liabilities	**2,624.4**	**5.0**	**2,629.4**
Total equity and liabilities	**13,536.8**	**54.8**	**13,591.6**

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

To facilitate comparability between periods, the tables below present how the adoption of IFRS 15 affected the Interim Condensed Financial Statements in the current period.

	for the 3 months ended		
	31 March 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited prepared in accordance with IFRS 15**
Revenue	**582.3**	**1.4**	**583.7**
Retail revenue	539.6	1.7	541.3
Wholesale revenue	21.9	-	21.9
Sale of equipment	8.7	(0.3)	8.4
Other revenue	12.1	-	12.1
Operating cost	**(509.5)**	**-**	**(509.5)**
Content costs	(150.2)	-	(150.2)
Technical costs and cost of settlements with telecommunication operators	(162.7)	-	(162.7)
Distribution, marketing, customer relation management and retention costs	(73.2)	-	(73.2)
Depreciation, amortization, impairment and liquidation	(50.9)	-	(50.9)
Salaries and employee-related costs	(27.6)	-	(27.6)
Cost of equipment sold	(9.5)	-	(9.5)
Cost of debt collection services, bad debt allowance and receivables written off	(4.3)	-	(4.3)
Other costs	(31.1)	-	(31.1)
Other operating income, net	**1.3**	**-**	**1.3**
Profit from operating activities	**74.1**	**1.4**	**75.5**
Gain/(loss) on investment activities, net	15.7	-	15.7
Finance costs	(15.6)	-	(15.6)
Gross profit for the period	**74.2**	**1.4**	**75.6**
Income tax	(19.8)	(0.3)	(20.1)
Net profit for the period	**54.4**	**1.1**	**55.5**

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

	31 March 2018 unaudited in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited in accordance with IFRS 15**
Reception equipment	345.0	-	345.0
Other property, plant and equipment	114.2	-	114.2
Goodwill	197.0	-	197.0
Other intangible assets	64.6	-	64.6
Investment property	35.8	-	35.8
Shares in subsidiaries and associates	12,125.5	-	12,125.5
includes shares in associate	*638.7*	-	*638.7*
Non-current deferred distribution fees	32.3	-	32.3
Other non-current assets, includes:	28.4	(28.2)	0.2
Total non-current assets	**12,942.8**	**(28.2)**	**12,914.6**
Contract assets	-	171.2	171.2
Inventories	66.1	-	66.1
Trade and other receivables	282.2	(86.9)	195.3
Current deferred distribution fees	74.7	-	74.7
Other current assets	102.9	-	102.9
includes derivative instruments assets	*0.2*	-	*0.2*
Cash and cash equivalents	38.1	-	38.1
Total current assets	**564.0**	**84.3**	**648.3**
Total assets	**13,506.8**	**56.1**	**13,562.9**

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

	31 March 2018 unaudited in accordance with IAS 18	**Adjustments**	**31 March 2018 unaudited in accordance with IFRS 15**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	(0.3)	-	(0.3)
Retained earnings	3,767.1	50.9	3,818.0
Total equity	**10,966.4**	**50.9**	**11,017.3**
Loans and borrowings	727.3	-	727.3
Issued bonds	965.2	-	965.2
Finance lease liabilities	1.1	-	1.1
Deferred tax liabilities	91.1	11.9	103.0
Deferred income	3.1	(3.1)	-
Other non-current liabilities and provisions	1.5	-	1.5
includes derivative instruments	*0.1*	-	*0.1*
Total non-current liabilities	**1,789,3**	**8.8**	**1,798.1**
Loans and borrowings	156.2	-	156.2
Issued bonds	41.9	-	41.9
Finance lease liabilities	0.2	-	0.2
Contract liabilities	-	5.5	5.5
Trade and other payables	290.5	-	290.5
includes derivative instruments	*0.5*	-	*0.5*
Income tax liability	17.7	-	17.7
Deposits for equipment	2.5	-	2.5
Deferred income	242.1	(9.1)	233.0
Total current liabilities	**751.1**	**(3.6)**	**747.5**
Total liabilities	**2,540.4**	**5.2**	**2,545.6**
Total equity and liabilities	**13,506.8**	**56.1**	**13,562.9**

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

	for the 3 months ended		
	31 March 2018 unaudited in accordance with IAS 18	Adjustments	31 March 2018 unaudited in accordance with IFRS 15
Net profit	**54.4**	**1.1**	**55.5**
Adjustments for:	**30.3**	**(1.1)**	**29.2**
Depreciation, amortization, impairment and liquidation	50.9	-	50.9
Interest expense	18.5	-	18.5
Change in inventories	(0.5)	-	(0.5)
Change in receivables and other assets	33.9	4.1	38.0
Change in liabilities, provisions and deferred income	(46.3)	(0.3)	(46.6)
Change in contract assets	-	(5.4)	(5.4)
Change in contract liabilities	-	0.2	0.2
Income tax	19.8	0.3	20.1
Net increase in reception equipment provided under operating lease	(27.8)	-	(27.8)
Dividends income and share in the profits of partnerships	(13.6)	-	(13.6)
Other adjustments	(4.6)		(4.6)
Cash from operating activities	**84.7**	**-**	**84.7**
Income tax paid	(13.1)	-	(13.1)
Interest received from operating activities	0.1	-	0.1
Net cash from operating activities	**71.7**	**-**	**71.7**
Received dividends and shares in the profits of partnerships	2.6	-	2.6
Acquisition of property, plant and equipment	(4.7)	-	(4.7)
Acquisition of intangible assets	(4.7)	-	(4.7)
Proceeds from sale of property, plant and equipment	0.1	-	0.1
Net cash used in investing activities	**(6.7)**	**-**	**(6.7)**
Net cash from the Cash Management System Agreement with interest paid	(26.3)	-	(26.3)
Payment of interest on loans, borrowings, bonds and commissions*	(30.4)	-	(30.4)
Net cash used in financing activities	**(56.7)**	**-**	**(56.7)**
Net increase in cash and cash equivalents	**8.3**	**-**	**8.3**
Cash and cash equivalents at the beginning of period	**29.5**	**-**	**29.5**
Effect of exchange rate fluctuations on cash and cash equivalents	0.3	-	0.3
Cash and cash equivalents at the end of period	**38.1**	**-**	**38.1**

* Includes impact of hedging instruments and payment due to loan agreement modification

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

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 9 May 2018.

Explanatory notes

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	
	31 March 2018 unaudited *(IFRS 15 basis)*	**31 March 2017 unaudited** *(IAS 18 basis)*
Retail revenue	541.3	523.4
Wholesale revenue	21.9	14.2
Sale of equipment	8.4	9.0
Other revenue	12.1	11.2
Total	**583.7**	**557.8**

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

8. Operating costs

		for the 3 months ended	
	Note	**31 March 2018 unaudited**	**31 March 2017 unaudited**
Content costs		150.2	143.3
Technical costs and costs of settlements with telecommunication operators		162.7	134.8
Distribution, marketing, customer relation management and retention costs		73.2	79.2
Depreciation, amortization, impairment and liquidation		50.9	54.8
Salaries and employee-related costs	a	27.6	24.0
Cost of equipment sold		9.5	8.2
Cost of debt collection services, bad debt allowance and receivables written off		4.3	2.8
Other costs		31.1	33.9
Total		**509.5**	**481.0**

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

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Salaries	22.7	19.3
Social security contributions	4.1	4.0
Other employee-related costs	0.8	0.7
Total	**27.6**	**24.0**

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

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Share in the profits of partnerships	13.6	12.2
Other	(2.1)	(0.5)
Total	**15.7**	**11.7**

10. Finance costs

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Interest expense on loans and borrowings	7.8	9.2
Interest expense on issued bonds	10.6	10.6
Valuation and realization of hedging instruments	-	(0.1)
Cumulative catch-up	(4.2)	-
Guarantee fees	1.2	1.3
Bank and other charges	0.2	0.5
Total	**15.6**	**21.5**

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

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2018 and 31 December 2017:

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 31 March 2018 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Reddev Investments Ltd. [1]	175,245,671	7.0	27.40%	348,791,922	42.59%
Karswell Ltd. [2]	133,411,161	5.4	20.86%	133,411,161	16.29%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Others	272,825,236	10.9	42.66%	278,696,486	34.03%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

[2] Entity is controlled by Mr. Zygmunt Solorz.

The shareholders' structure as at 31 December 2017 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]	55,092,796	2.3	8.61%	82,005,421	10.01%
Embud 2 Sp. z o.o. S.K.A. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Others	214,196,708	8.5	33.50%	214,196,708	26.16%
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.

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

(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

	2018	2017
Balance as at 1 January	**0.1**	**1.2**
Valuation of cash flow hedges	(0.5)	(0.9)
Deferred tax	0.1	0.2
Change for the period	**(0.4)**	**(0.7)**
Balance as at 31 March unaudited	**(0.3)**	**0.5**

13. Loans and borrowings

Loans and borrowings	**31 March 2018 unaudited**	**31 December 2017**
Short-term liabilities	156.2	379.9
Long-term liabilities	727.3	535.0
Total	**883.5**	**914.9**

Change in loans and borrowings liabilities:

	2018	2017
Loans and borrowings as at 1 January	**914.9**	**1,021.1**
Repayment of capital	-	(50.5)
Repayment of interest and commissions	(8.7)	(8.3)
Net cash from Cash Management System Agreement with paid interest	(26,3)	-
Cumulative catch-up	(4,2)	-
Interest accrued	7.8	9.2
Loans and borrowings as at 31 March unaudited	**883.5**	**971.5**

(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

	31 March 2018 unaudited	31 December 2017
Short-term liabilities	41.9	42.5
Long-term liabilities	965.2	975.7
Total	**1,007.1**	**1,018.2**

Change in issued bonds:

	2018	2017
Issued bonds payable as at 1 January	**1,018.2**	**1,017.9**
Repayment of interest and commissions	(21.7)	(21.6)
Interest accrued	10.6	10.6
Issued bonds payable as at 31 March unaudited	**1,007.1**	**1,006.9**

15. Transactions with related parties

Receivables

	31 March 2018 unaudited	31 December 2017
Subsidiaries	55.5	53.3
Joint ventures	0.3	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.	1.1	1.0
Total	**56.9**	**54.7**

A significant portion of receivables is represented by receivables from share of the profits of partnerships.

Other assets

	31 March 2018 unaudited	31 December 2017
Subsidiaries	99.9	131.4
Total	**99.9**	**131.4**

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

	31 March 2018 unaudited	31 December 2017
Subsidiaries	81.3	113.4
Joint ventures	0.4	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.	3.0	5.7
Total	**84.7**	**119.5**

A significant portion of liabilities is represented by Polkomtel services, programming licence fees, commissions on sales and fees for using “Cyfrowy Polsat” trade mark.

Loans granted

	31 March 2018 unaudited	31 December 2017
Subsidiaries	2.3	2.3
Total	**2.3**	**2.3**

Revenues

	for the 3 months ended	
	31 March 2018 unaudited	31 March 2017 unaudited
Subsidiaries	21.9	22.4
Joint ventures	0.1	0.1
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.	0.7	0.3
Total	**22.7**	**22.8**

The most significant transactions include revenues from subsidiaries from accounting services, signal broadcast, advertising, programming fees and property rental services.

Expenses

	for the 3 months ended	
	31 March 2018 unaudited	31 March 2017 unaudited
Subsidiaries	219.9	200.8
Joint ventures	0.1	-
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.	5.5	6.4
Total	**225.5**	**207.2**

The most significant transactions include data transfer services.

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The Company also pays license fees for broadcasting Telewizja Polsat's programs, commissions on sales, and incurs expenses for using 'Cyfrowy Polsat' trade mark, purchasing advertising time, IT services, telecommunication services with respect to the Company's customer call center and advertising production.

Gain on investment activities, net

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Subsidiaries	15.3	13.8
Joint ventures	-	0.1
Total	**15.3**	**13.9**

Gains and losses on investment activities comprises of income from share of the profits of partnerships and guarantees granted by the Company in respect to Polkomtel's term facilities.

Finance costs

	for the 3 months ended	
	31 March 2018 unaudited	**31 March 2017 unaudited**
Subsidiaries	1.1	1.3
Total	**1.1**	**1.3**

Finance costs comprise mostly of guarantee fees in respect to settlement of term facilities.

Other notes

16. Litigations

Management believes that the provisions for litigations as at 31 March 2018 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 Company's Management, such disclosure could prejudice the outcome of the pending cases.

On 28 April 2017, ZASP filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirety. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement.

Other significant proceedings described in the financial statements for the year ended 31 December 2017 remained unchanged.

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 2017. There have been no significant changes in any risk management policies since the end of year 2017.

Liquidity risk

Compared to 31 December 2017, the loan agreements' contractual cash flows changed pursuant to the new agreement entered into on 2 March 2018 (see note 18 for details).

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.

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

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

			31 March 2018 unaudited *(IFRS 15 basis)*		31 December 2017 *(IAS 18 basis)*	
	Category according to IFRS 9	**Level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	2.5	2.5	2.5	2.5
Trade and other receivables	A	*	164.7	164.7	278.1	278.1
Contract assets	A	*	171.2	171.2	-	-
Cash and cash equivalents	A	*	38.1	38.1	29.5	29.5
Loans and borrowings	B	2	(894.5)	(883.5)	(918.7)	(914.9)
Issued bonds	B	1	(1,028.4)	(1,007.1)	(1,036.7)	(1,018.2)
Lease liability	B	2	(1.3)	(1.3)	-	-
Accruals	B	*	(120.1)	(120.1)	(157.7)	(157.7)
Trade and other payables and deposits	B	*	(146.1)	(146.1)	(168.9)	(168.9)
Total			**(1,813.9)**	**(1,781.6)**	**(1,971.9)**	**(1,949.6)**
Unrecognized loss				**(32.3)**		**(22.3)**

A – assets subsequently measured at amortised cost
B – liabilities subsequently measured at amortised cost

* It is assumed that the fair value of these financial assets and liabilities 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 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 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 31 March 2018 and 31 December 2017 loans and borrowings comprised term facility loan and cash from the Cash Management System Agreement with interest paid. 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 31 March 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan) were analyzed. When determining the fair value of senior facility as at 31 December 2017, forecasted cash flows from the reporting date to 21 September 2020 (assumed as at 31 December 2017 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.

(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 bonds as at 31 March 2018 and 31 December 2017 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

As at 31 March 2018, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 March 2018 unaduited	Level 1	Level 2	Level 3
IRS		-	0.2	-
Total		**-**	**0.2**	**-**

Liabilities measured at fair value

	31 March 2018 unaudited	Level 1	Level 2	Level 3
IRS		-	(0.6)	-
Total		**-**	**(0.6)**	**-**

As at 31 December 2017, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2017	Level 1	Level 2	Level 3
IRS		-	0.6	-
Total		**-**	**0.6**	**-**

Liabilities measured at fair value

	31 December 2017	Level 1	Level 2	Level 3
IRS		-	(0.5)	-
Total		**-**	**(0.5)**	**-**

The fair value of interest rate swaps is determined using financial instruments valuation models, based on generally published interest rates. 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.

18. Important agreements and events

Cross-border merger

On 9 January 2018 the Extraordinary General Meeting of the Company adopted a resolution concerning the cross-border merger by acquisition of Cyfrowy Polsat (Acquiring Company) and Eileme 1 AB (Ceasing Company). The merger will be effected by transferring all of the assets and liabilities of the Ceasing Company to the Acquiring Company and dissolving the Ceasing Company without liquidation.

Amendments and restatement deed to the facilities agreement

On 2 March 2018 the Company (acting as the obligors' agent) and UniCredit Bank AG (acting as finance parties' agent) entered into Second Amendment and Restatement Deed to the Facilities Agreement dated 21 September 2015 and amended by the Amendment, Restatement and Consolidation Deed dated 21 September 2015. The Second Amendment and Restatement Deed amends i*nter alia* the termination date of the CP Term Facility and the CP Revolving Facility to 30 September 2022 (originally set on 21 September 2020). Pursuant to the agreement the repayment schedule has been changed - for details please refer to interim consolidated financial statements for the period ended 31 March 2018 (note 21).

Decision of the Head of the Małopolska Tax Office in Cracow

On 15 February 2018 the Head of the Małopolska Tax Office in Cracow ("Tax Office") issued the decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 increased by interest on tax arrears.

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012.
The decision is neither final nor enforceable. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

The Tax Office control activities in the aforesaid matter are in progress in relation to 2013 and 2014. If an unfavorable and, in the opinion of the Company, incorrect interpretation of tax regulations relating to disputed matter is upheld, the Tax Authority may issue a decision assessing additional tax liabilities.

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 SFA. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Other securities

The Company provided guarantees to its subsidiaries in respect to purchase contracts. Information regarding the amounts of guarantees provided was not separately disclosed, as in the opinion of the Group's Management, such disclosure could have a negative impact on the relations with the third parties.

Contractual liabilities related to purchases of non-current assets

Total amount of capital commitments resulting from agreements on property construction and improvements was PLN 1.5 as at 31 March 2018 (PLN 0.4 as at 31 December 2017). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2018 was PLN 0.3 (PLN 0.3 as at 31 December 2017).

Contractual liabilities related to purchase of data transfer services

Total amount of capital commitments resulting from agreements on data transfer services as at 31 March 2018 was PLN 264.9 (PLN 353.2 as at 31 December 2017).

20. Events subsequent to the reporting date

Cross-border merger

On 28 April 2018 the cross-border merger of Cyfrowy Polsat S.A. and Eileme 1 AB (publ) was registered. The surviving entity is Cyfrowy Polsat S.A.

Changes in shareholder structure

On 26 April 2018, Karswell Limited (Karswell) disposed of 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company. Following the transaction, Karswell holds directly 10,000,000 shares of the Company, constituting 1.56% of the share capital of the Company, representing 1.22% of the total number of the votes at the General Meeting of the Company.

On 26 April 2018 Reddev Investements Limited (Reddev) acquired 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company. Following the transaction, TiVi Foundation holds indirectly and Reddev hold directly 298,656,832 shares of the Company, constituting 46.70% of the share capital of the Company, representing 57.66% of the total number of the votes at the General Meeting of the Company.

Decision of the Director of the Revenue Administration Regional Office in Warsaw

On 8 May 2018 the Management Board of Cyfrowy Polsat S.A. was notified that the Company's plenipotentiary received a decision of the Director of the Revenue Administration Regional Office in Warsaw dated 30 April 2018 upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw dated 25 May 2017, determining the value of tax obligation in relation to corporate income tax for the year 2011 at a higher level than the declared value, by PLN 40.6 increased by interest on tax arrears. The Company does not agree with the decision of the Director of the Revenue Administration Regional Office in Warsaw in question and intends to appeal against it. At present the Company does not intend to create any provisions encumbering its financial results.

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.