CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report for the three month period ended September 30, 2017

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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 SEPTEMBER 30, 2017

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, 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 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 for residential and business customers, using state-of-the-art technologies to provide top quality multi-play services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

The 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 Paragraph 82 section 1 and 2 and Paragraph 87 of the Regulation of the Minister of Finance of February 19, 2009 on current and periodic information published by issuers of securities and the conditions of recognizing as equal the information required under non-member states' regulations.

Presentation of financial data and other information

References to the Company 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 quarterly Report contains financial statements and financial information relating to the Company and the Group. In particular, it contains our quarterly condensed consolidated financial statements for the nine-month period ended September 30, 2017 and quarterly condensed financial statements for the nine-month period ended September 30, 2017. The financial statements attached to this quarterly Report have been prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" ("IAS 34") and are presented in millions of zlotys. The financial statements have not been audited by an independent auditor.

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

Currency presentation

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

Forward looking statements

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

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

Industry and market data

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

- Eurostat, for data relating to the Polish economy and GDP growth;
- the Polish Chamber of Electronic Communication;
- the Office of Electronic Communications (UKE);
- the Central Statistical Office of Poland (GUS);
- the Body of European Regulators for Electronic Communications (BEREC);
- the European Commission (Digital Agenda Scoreboard);
- Nielsen Audience Measurement;
- Starcom (previously SMG Starlink);
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2016-2020);
- Zenith media house;
- Gemius/PBI;
- PMR – *Telecommunication market in Poland 2016. Market analysis and forecasts for the years 2016-2021*;
- PMR – *Pay TV market in Poland 2016. Market analysis and forecasts for the years 2016-2021*;
- PMR – *Integrated telecommunications services market in Poland 2016;*
- GfK Polonia;
- e-marketer;
- Ericsson Mobility Report; and
- operators functioning on the Polish market.

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the three and nine-month periods ended September 30, 2017 and September 30, 2016. The selected financial data presented in the tables below is expressed in millions of PLN, unless otherwise stated. This information should be read in conjunction with our quarterly condensed consolidated financial statements for the nine-month period ended September 30, 2017 and the information included in item 4 of this Report – *Operating and financial review of Polsat Group*.

Selected financial data:

- from the consolidated income statement for the three-month periods ended September 30, 2017 and September 30, 2016 have been converted into euro at a rate of PLN 4.2576 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from July 1 to September 30, 2017;
- from the consolidated income statement and the consolidated cash flow statement for the nine-month periods ended September 30, 2017 and September 30, 2016 have been converted into euro at a rate of PLN 4.2662 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1 to September 30, 2017;
- from the consolidated balance sheet data as at September 30, 2017 and December 31, 2016 have been converted into euro at a rate of PLN 4.3091 per EUR 1.00 (average exchange rate published by NBP on September 29, 2017).

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

It should be noted that data for the periods of three and nine months ended September 30, 2017 are not fully comparable to data for the periods of 3 and 9 months ended September 30, 2016 due to the acquisition of 100% shares of Litenite Limited, the direct parent of Aero2 Group (formerly Midas Group) on February 29, 2016, the acquisition of 100% of shares of IT Polpager S.A. on September 30, 2016 and the increase in the holding of shares in Paszport Korzyści Sp. z o.o. (currently Plus Flota Sp. z o.o.) up to 100% on September 7, 2017.

Consolidated balance sheet

	September 30, 2017		December 31, 2016	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents (1)	1,088.4	252.6	1,336.7	310.2
Assets	26,892.6	6,240.9	27,729.3	6,435.1
Non-current liabilities	10,896.3	2,528.7	12,670.5	2,940.4
Non-current financial liabilities	9,546.5	2,215.4	11,159.3	2,589.7
Current liabilities	4,036.4	936.7	3,681.2	854.3
Current financial liabilities	1,873.9	434.9	1,317.4	305.7
Equity	11,959.9	2,775.5	11,377.6	2,640.4
Share capital	25.6	5.9	25.6	5.9

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

Consolidated cash flow statement

	for the 9-month period ended September 30			
	2017		2016	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	2,087.7	489.4	2,140.9	501.8
Net cash from/(used in) investment activities	(657.2)	(154.0)	(1,138.8)	(266.9)
Net cash used in financial activities	(1,676.0)	(392.9)	(1,413.5)	(331.3)
Net increase in cash and cash equivalents	(245.5)	(57.5)	(411.4)	(96.4)

Consolidated income statement

	for the 3-month period ended September 30				for the 9-month period ended September 30			
	2017		2016		2017		2016	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Revenue	**2,390.9**	**561.6**	**2,387.8**	**560.8**	**7,249.4**	**1,699.3**	**7,194.7**	**1,686.4**
Retail revenue	1,494.0	350.9	1,583.7	372.0	4,570.0	1,071.2	4,736.3	1,110.2
Wholesale revenue	588.4	138.2	562.9	132.2	1,802.8	422.6	1,807.7	423.7
Sale of equipment	264.5	62.1	221.3	52.0	756.4	177.3	585.2	137.2
Other sales revenue	44.0	10.3	19.9	4.7	120.2	28.2	65.5	15.4
Total operating cost	**(1,975.7)**	**(464.0)**	**(1,938.7)**	**(455.4)**	**(5,876.7)**	**(1,377.5)**	**(5,928.7)**	**(1,389.7)**
Technical costs and cost of settlements with mobile network operators	(528.5)	(124.1)	(459.2)	(107.9)	(1,480.2)	(347.0)	(1,466.1)	(343.7)
Depreciation, amortization, impairment and liquidation	(429.2)	(100.8)	(507.9)	(119.3)	(1,348.2)	(316.0)	(1,459.1)	(342.0)
Cost of equipment sold	(323.3)	(75.9)	(330.5)	(77.6)	(965.7)	(226.4)	(974.6)	(228.4)
Content costs	(269.7)	(63.3)	(252.1)	(59.2)	(832.4)	(195.1)	(816.9)	(191.5)
Distribution, marketing, customer relation management and retention costs	(224.0)	(52.6)	(202.6)	(47.6)	(651.0)	(152.6)	(605.3)	(141.9)
Salaries and employee-related costs	(127.4)	(29.9)	(130.5)	(30.7)	(388.9)	(91.2)	(406.6)	(95.3)
Cost of debt collection services and bad debt allowance and receivables written off	(21.3)	(5.0)	(5.7)	(1.3)	(56.9)	(13.3)	(31.6)	(7.4)
Other costs	(52.3)	(12.3)	(50.2)	(11.8)	(153.4)	(36.0)	(168.5)	(39.5)
Other operating income, net	**6.7**	**1.6**	**-**	**-**	**23.4**	**5.5**	**13.4**	**3.1**
Profit from operating activities	**421.9**	**99.1**	**449.1**	**105.5**	**1,396.1**	**327.2**	**1,279.4**	**299.9**
Gain/(loss) on investment activities, net	(28.0)	(6.6)	13.1	3.1	(11.9)	(2.8)	(43.5)	(10.2)
Financial costs	(104.8)	(24.6)	(127.3)	(29.9)	(403.6)	(94.6)	(443.2)	(103.9)
Gross profit for the period	**289.1**	**67.9**	**334.9**	**78.7**	**980.6**	**229.9**	**792.7**	**185.8**
Income tax	(54.2)	(12.7)	(65.1)	(15.3)	(192.6)	(45.1)	(113.5)	(26.6)
Net profit for the period	**234.9**	**55.2**	**269.8**	**63.4**	**788.0**	**184.7**	**679.2**	**159.2**
Net profit attributable to equity holders of the Parent	242.9	57.1	278.2	65.3	813.5	190.7	691.4	162.1
Net profit/(loss) attributable to non-controlling interest	(8.0)	(1.9)	(8.4)	(2.0)	(25.5)	(6.0)	(12.2)	(2.9)
Basic and diluted earnings per share in PLN (not in millions)	**0.37**	**0.09**	**0.42**	**0.10**	**1.23**	**0.29**	**1.06**	**0.25**
Weighted number of issued shares	639,546,016		639,546,016		639,546,016		639,546,016	

Other consolidated financial data

	for the 3-month period ended September 30				for the 9-month period ended September 30			
	2017		2016		2017		2016	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
EBIDTA(1)	851.1	199.9	957.0	224.8	2,744.3	643.3	2,738.5	641.9
EBITDA margin	35.6%	35.6%	40.1%	40.1%	37.9%	37.9%	38.1%	38.1%
Operating margin	17.6%	17.6%	18.8%	18.8%	19.3%	19.3%	17.8%	17.8%
Capital expenditures(2)	173.2	40.7	155.0	36.4	556.2	130.4	395.8	92.8

(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. Organization of Cyfrowy Polsat S.A. Capital Group

1.1. Composition and structure of Polsat Group

The table below presents the organizational structure of Polsat Group as at September 30, 2017 compared to December 31, 2016, indicating the consolidation method.

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2017	December 31, 2016
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 Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	100%	100%
Polsat Ltd.	238A King Street, London W6 0RF, Great Britain	television broadcasting	100%	100%
Muzo.fm Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	holding activities, television broadcasting and production	-	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	telecommunication activities	100%	100%
Metelem Holding Company Limited	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol, Cyprus	holding and financial activities	-	100%
Eileme 1 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2017	December 31, 2016
Eileme 4 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%
Polkomtel Finance AB (publ) (in liquidation)	Norrlandsgatan 18, 111 43 Stockholm, Sweden	financial activities	-	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%
LTE Holdings Limited	Kostaki Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	-	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%
IT Polpager S.A.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	maintenance of telco network	-	100%
Litenite Limited	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%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Grab Sarl	6, rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	-	100%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Grab Investment SCSp	6, rue Eugène Ruppert L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	-	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	(1)	(1)
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	premium-rate services	100%	100%
Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.)	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	49%(2)

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2017	December 31, 2016
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG, Great Britain	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18, 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%

(1) Cyfrowy Polsat owns indirectly 100% of certificates.
(2) Shares in Paszport Korzyści Sp. z o.o. were consolidated suing the equity method as at December 31, 2016.

Additionally, the following entities were included in the consolidated financial statements for the nine-month period ended September 30, 2017:

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2017	December 31, 2016
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)

(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, 2017 until the date of approval of this Report, the following changes were implemented to the structure of Polsat Group. These changes are the effect of the systematically executed process of simplifying the capital structure of the Group. The simplification of the Group's structure entails, among other things, improved efficiency of financial management and the elimination of redundant costs. What is more, is translates 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	Change
March 31, 2017	Registration of the merger of Polkomtel with IT Polpager S.A.
April 7, 2017	Registration of the cross-border merger of Cyfrowy Polsat with Metelem Holding Company Limited.
April 28, 2017	Registration of the merger of Telewizja Polsat Sp. z o.o. with Telewizja Polsat Holdings Sp. z o.o.
June 8, 2017	Registration of the liquidation of Grab Investment SCSp.
June 19, 2017	Disposal of shares of LTE Holdings Ltd.
June 29, 2017	Registration of the liquidation of Polkomtel Finance AB.
July 20, 2017	Registration of the liquidation of Grab Sarl.
September 7, 2017	Increase in the holding of shares in Paszport Korzyści Sp. z o.o. (currently Plus Flota Sp. z o.o.) up to 100%.

In the second quarter of 2017 we began the process aimed at completing the cross-border merger of Cyfrowy Polsat and the companies Eileme 1, Eileme 2, Eileme 3 and Eileme 4, which was reflected in the decisions made by the General Meeting of Shareholders convened on June 27, 2017.

1.2. Shareholders holding material bundles of shares of Cyfrowy Polsat

The following table presents shareholders of Cyfrowy Polsat possessing – according to our best knowledge – no less than 5% of votes at the General Meeting of the Company as at the date of approval of this Report, i.e. on November 8, 2017. Information included in the table is based on the information received from shareholders pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Reddev Investments Limited [(1)], including:	**154,204,296**	**24.11%**	**306,709,172**	**37.45%**
- privileged registered shares	152,504,876	23.85%	305,009,752	37.24%
- ordinary bearer shares	1,699,420	0.26%	1,699,420	0.21%
Embud2 Sp. z o.o. Sp. K-A [(2)]	**58,063,948**	**9.08%**	**58,063,948**	**7.09%**
Karswell Limited [(2)]	**157,988,268**	**24.70%**	**157,988,268**	**19.29%**
Sensor Overseas Limited [(3)], including:	**55,092,796**	**8.61%**	**82,005,421**	**10.01%**
- privileged registered shares	26,912,625	4.21%	53,825,250	6.57%
- ordinary bearer shares	28,180,171	4.40%	28,180,171	3.44%
Others	**214,196,708**	**33.50%**	**214,196,708**	**26.16%**
Total	**639,546,016**	**100.00%**	**818,963,517**	**100.00%**

(1) Reddev Investments Limited is an indirect subsidiary Mr. Zygmunt Solorz.
(2) Formerly Embud Sp. z o.o., entity controlled by Mr. Zygmunt Solorz.
(3) Entity controlled by EVO Foundation with its registered seat in Vadus, Liechtenstein.

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

There were no changes in the structure of ownership of significant packages of the Company's shares from the date of publication of the previous interim report, i.e. August 24, 2017 (interim report for the first half of 2017) until the date of approval of this Report, i.e. November 8, 2017.

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

To the Company's best knowledge members of the Management Board did not hold any shares of the Company, directly and indirectly, as at the date of approval of this Report, i.e. November 8, 2017 as well as at the date of publication of the previous interim report, i.e. August 24, 2017 (interim report for the first half of 2017).

To the Company's best knowledge as at the date of approval of this Report, i.e. November 8, 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. To the Company's best knowledge the remaining Members of the Supervisory Board did not hold any shares of the Company, directly and indirectly, as at the date of approval of this Report, i.e. November 8, 2017 nor at the date of publication of the previous interim report, i.e. August 24, 2017 (interim report for the first half of 2017).

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 services including digital television transmission signal, Internet access services, mobile TV services, 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 September 30, 2017 we had almost 5.8 million contract customers and companies from our Group provided a total of over 16.4 million active services, including almost 13.5 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

We are the largest pay TV provider in Poland and a leading satellite platform in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services as well as market share, providing satellite TV services to approximately 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 million pay TV services as at September 30, 2017.

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.

Since 2012 our service portfolio has included the service Mobile TV in the DVB-T standard, which enables the reception of real-time television on mobile devices. Users of our Mobile TV service have access to 24 encrypted channels (12 television and 12 radio channels) and to all DTT channels.

As the only operator in Poland, we offer our subscribers our own high-quality, innovative set-top boxes at affordable prices. Currently, set-top boxes manufactured by us constitute a vast majority of all set-top boxes sold or otherwise made available 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. According to our data the average monthly number of unique users of the IPLA website and application was approximately 3 million in the third quarter of 2017 and 3.3 million in three quarters of 2017.

IPLA online television offers the largest database of legal video content and live broadcasts as well as 85 online TV channels, ca. 200 hours monthly of live coverage of major national and international sports events, a vast and regularly expanded library of feature films, TV series and television programs provided by both Polish and international 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 of downloading selected content and viewing it offline. Over 90% of IPLA VOD content is available free of charge, whereas advertisements constitute the source of revenue.

Thanks to the possibility of accessing IPLA through the website http://www.ipla.tv, as well as via dedicated applications the content of our 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.

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

Mobile telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators. As at September 30, 2017 we provided nearly 9.5 million mobile telephony services under both the post-paid and pre-paid 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 or 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 the LTE technology. Our retail mobile telephony offer is addressed to individual and business customers, including major corporate accounts, small and medium-sized enterprises and institutions, and the SOHO (Small Office/Home Office) segment.

Mobile 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 January 2017, our LTE Internet and HSPA/HSPA+ Internet covered 99% and nearly 100% of Poland's population, respectively. In 2016 we also launched the LTE-Advanced technology on a commercial scale, and in the beginning of 2017 40% of the population of Poland was within the coverage footprint of our network. 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 September 30, 2017, we provided nearly 2 million broadband Internet access services, mostly in the contract model.

We 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, created specifically for Cyfrowy Polsat and Polkomtel, we can offer customers a product that constitutes an excellent substitute for fixed-line Internet. Additionally, pursuant to the provisions of the concession related to the purchase of the 2.6 GHz band, 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 the LTE 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 multi-play strategy by offering our customers a complete and unique service package based on pay TV, mobile telephony and broadband Internet access, complemented by additional services, such as financial, 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 distribution platforms, such as television sets, mobile handsets, computers and tablets.

As part of our strategy of integrating products and services for the modern home, Cyfrowy Polsat and Polkomtel promote the program smartDOM (smartHOME), a joint program which enables profitable bundling of modern services for the home. Customers of the program can combine, in a flexible way, such products as satellite TV, broadband LTE Internet, telephone, banking and insurance services, electricity supply and gas, home security services, or the purchase of telecommunication devices, home electronics and household appliances, while making savings on each service added to their package.

Our bundled services offer is based on a simple and flexible mechanism - a customer subscribed to one service with a specified value who purchases additional products from our Group's portfolio, obtains attractive discounts throughout the entire term of the contract. Currently, the offer, marketed under the slogan "smartDOM Home Savings Program," provides a choice of nine products and services. In the second quarter of 2017 we have opened the bundled services offer to customers, who subscribe to services in low-end tariffs. As a result, customers of our low-end pay TV packages now have the opportunity to additionally purchase mobile telephony services with attractive discounts.

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

Wholesale business

As part of our wholesale business we provide services to other telecommunication operators (such as network interconnection, 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.

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

Shared access to network assets and lease of telecommunications infrastructure

As a consequence of significant capital expenditures in the past our subsidiaries, Polkomtel, Aero2 and Sferia have 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 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 close to 12% in the third quarter of 2017 and almost 12.5% in three quarters of 2017. 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 on 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 the cable/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 broadcast.
Polsat Sport Extra **Polsat Sport Extra HD**	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon and handball Champions League.
Polsat Sport 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.

Thematic channel	Description
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society, current and international affairs. Addressed to viewers interested in economics.
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
CI Polsat	Criminal channel that takes its viewers to the world of crime providing the insight to criminal laboratories, police archives and courtrooms.
Polsat 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 allowing 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.
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 TV series, entertainment and popular science 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.
Polsat Music HD	Channel broadcasting rock and pop music as well as the best video clips, both the classics and the novelties. Launched on May 26, 2017, replacing MUZO.TV.
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 the DTT technology.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.

Sales of TV channel advertising airtime and sponsoring

Within out wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on preliminary Starcom data we estimate that in the three quarters of 2017 Polsat Group channels captured 27.2% of the Polish TV advertising market worth approximately PLN 2.8 billion in that period, while in the third quarter alone the share of the Group's channels reached 28.6% in the market valued at ca. PLN 809 million in that period.

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

Sale of channel broadcasting rights

Our channels are distributed by the majority of Polish cable networks, including such operators as UPC Polska Sp. z o.o., Multimedia Polska S.A. and Vectra S.A., and by satellite platforms (with the exception of sports channels, which are exclusive to the Cyfrowy Polsat platform), as well as over the IPTV system. 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 IN THE THIRD QUARTER OF 2017

3.1. Corporate events

Payment of dividends for the year 2016

Pursuant to the resolution of the Annual General Meeting dated June 27, 2017, dividend for the year 2016 was paid out on August 3, 2017 in that amount of PLN 204.7 million, which represents 35.4% of the Company's net profit for 2016. The value of dividend per one share amounted to PLN 0.32, with 639,546,016 shares of the Company entitled to dividend.

Moody's revised Polsat Group's rating outlook to positive

On August 8, 2017 Moody's Investors Service revised the rating outlook for Cyfrowy Polsat Group to positive from stable, affirming the Ba2 corporate family rating. Details regarding the rationale of the revision is presented in this Report in item 4.3.5 – *Operating and financial review of Polsat Group – Review of our financial situation – Liquidity and capital resources – Ratings*.

3.2. Business related events

Implementation of the Roam Like at Home regulation

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,* or RLAH regulation). The third quarter of 2017 was the first quarter, when the RLAH regulation is in force and hence its effects are fully observable.

Thanks to the full implementation of the RLAH concept as of June 15, 2017, whilst on the territory of the European Economic Area ("EEA"), our customers can use our telecommunication services on terms identical as domestic terms. In particular, the subscribers of unlimited contract tariffs, highly popular in Poland, have the possibility of making voice connections, sending short text messages and using a specified data transmission pack, dependent on the subscription fee, in international roaming without incurring any additional costs. Concurrently, all incoming connections in roaming on the EEA are free of charge.

The final shape of the regulation translated into a clear growth of the volume of traffic generated by Poles whilst abroad, which is connected with a significant increase in costs of wholesale purchase of roaming traffic incurred by domestic operators, including Polsat Group. As a consequence, certain local operators, including Polkomtel and P4, operator of Play mobile network, applied to the regulator for permission to impose surcharges on roaming retail rates. The Office of Electronic Communications is successively reviewing each application, issuing consent to apply such surcharges. Concurrently, Polkomtel has actively approached the issue of renegotiating its bilateral agreements with its roaming partners.

3.3. Events after the balance date

Conditional agreement for the acquisition of Coltex ST Sp. z o.o.

On October 11, 2017 Liberty Poland S.A. (the Company's indirect subsidiary) concluded a conditional agreement for the purchase of 100% shares of Coltex ST Sp. z o.o. with Coltex Rogala Spółka Jawna, Star Telecom Sp. z o.o. and R.S. Trading Lachowscy Spółka Jawna (the „Sellers"). The agreement was concluded subject to series of conditions precedent, *inter alia* the issue of the relevant approval by the President of the Office of Competition and Consumer Protection. The purchase price was agreed as PLN 27.5 million.

4. Operating and financial review of Polsat Group

4.1. Operating review of the Group

Key performance indicators (KPI) presented below for the three quarters of 2017 include the operating results of Polsat Group comprising Aero2 Group (formerly Midas Group), acquired on February 29, 2016. In light of the above, the operating results for the three quarters of 2017 are not fully comparable with the operating results for the corresponding periods of 2016. However, the effect of consolidation of the operating results of Aero2 Group on the overall reported operating results of Polsat Group is immaterial.

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

	for the 3-month period ended September 30		change / %	for the 9-month period ended September 30		change / %
	2017	2016		2017	2016	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS						
Total number of RGUs (EOP) (contract + prepaid)	**16,410,325**	**16,545,653**	**(0.8%)**	**16,410,325**	**16,545,653**	**(0.8%)**
Contract services						
Total number of RGUs (EOP), incl.	**13,530,164**	**13,017,749**	**3.9%**	**13,530,164**	**13,017,749**	**3.9%**
Pay TV, incl.	4,882,505	4,679,114	4.3%	4,882,505	4,679,114	4.3%
Multiroom	*1,072,513*	*982,068*	*9.2%*	*1,072,513*	*982,068*	*9.2%*
Mobile telephony	6,864,787	6,616,579	3.8%	6,864,787	6,616,579	3.8%
Internet	1,782,872	1,722,056	3.5%	1,782,872	1,722,056	3.5%
Number of customers (EOP)	**5,791,841**	**5,860,884**	**(1.2%)**	**5,791,841**	**5,860,884**	**(1.2%)**
ARPU per customer [PLN]	88.4	88.6	(0.2%)	89.0	88.0	1.1%
Churn per customer	8.8%	8.5%	0.3 p.p.	8.8%	8.5%	0.3 p.p.
RGU saturation per one customer	2.34	2.22	5.4%	2.34	2.22	5.4%
Average number of RGUs, incl.	**13,467,835**	**12,940,680**	**4.1%**	**13,386,962**	**12,808,659**	**4.5%**
Pay TV, including:	4,856,979	4,654,591	4.3%	4,818,734	4,594,236	4.9%
Multiroom	*1,064,544*	*977,142*	*8.9%*	*1,048,510*	*963,235*	*8.9%*
Mobile telephony	6,836,282	6,579,908	3.9%	6,798,822	6,549,999	3.8%
Internet	1,774,574	1,706,181	4.0%	1,769,406	1,664,424	6.3%
Average number of customers	**5,803,517**	**5,858,477**	**(0.9%)**	**5,834,813**	**5,879,154**	**(0.8%)**
Prepaid services						
Total number of RGUs (EOP), including:	**2,880,161**	**3,527,904**	**(18.4%)**	**2,880,161**	**3,527,904**	**(18.4%)**
Pay TV	63,627	44,913	41.7%	63,627	44,913	41.7%
Mobile telephony	2,623,950	3,223,224	(18.6%)	2,623,950	3,223,224	(18.6%)
Internet	192,584	259,767	(25.9%)	192,584	259,767	(25.9%)
ARPU per total prepaid RGU [PLN]	20.2	18.7	8.0%	19.8	18.4	7.6%
Average number of RGUs, including:	**2,863,783**	**3,713,417**	**(22.9%)**	**2,932,180**	**3,769,967**	**(22.2%)**
Pay TV	54,950	42,971	27.9%	57,580	43,780	31.5%
Mobile telephony	2,620,575	3,386,794	(22.6%)	2,684,238	3,463,246	(22.5%)
Internet	188,258	283,652	(33.6%)	190,362	262,941	(27.6%)
BROADCASTING AND TELEVISION PRODUCTION SEGMENT						
Audience share	24.4%	24.5%	(0.1 p.p.)	24.5%	24.7%	(0.2 p.p.)
Advertising market share	28.6%	27.3%	1.3 p.p.	27.2%	26.6%	0.6 p.p.

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 monthly 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.

4.1.1. Segment of services to individual and business customers

As at September 30, 2017, in the segment of services to individual and business customers our Group provided a total of 16,410,325 services. 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 82.4% at the end of the third quarter of 2017, as compared to 78.7% recorded at the end of the third quarter of 2016. At the end of the third quarter of 2017 we recorded 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 an explicit stabilization of the number of provided prepaid services.

Contract services

As at September 30, 2017, we provided contract services to a total of 5,791,841 customers, i.e. 1.2% less compared to 5,860,884 customers the Group had as at September 30, 2016. The main driver behind the decline of the contract customer base was the outflow of single-play customers, especially with a mobile telephony service, as well as further merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.4% YoY). In line with our strategic assumptions, we avoid conducting an aggressive sales policy on individual products and concentrate 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 512,415 in the last 12 months, that is by 3.9%, to 13,530,164 as at September 30, 2017, from 13,017,749 as at September 30, 2016. As at September 30, 2017, every customer in our base had on average 2.34 contract services, which constitutes an increase of 5.4% compared to 2.22 contract services per customer as at September 30, 2016.

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 4,882,505 as at September 30, 2017, which constitutes an increase by 203,391, or 4.3%, compared to 4,679,114 as at September 30, 2016. This increase is due in particular to the growing popularity of our Multiroom service (YoY increase by over 90 thousand, to 1.07 million RGUs), as well as to dynamically increasing sales of paid OTT services. The number of provided mobile telephony services in the contract model increased by 248,208, or 3.8%, reaching the level of 6,864,787 as at September 30, 2017, up from 6,616,579 as at September 30, 2016. This growth was driven by the successful implementation of our strategy of cross-selling, as well as by the temporarily intensified migration of users of prepaid services to contract tariffs. In terms of mobile broadband, as at September 30, 2017, we provided 1,782,872, RGUs in the contract model, that is by 60,816, or 3.5%, more than as at September 30, 2016, when we provided 1,722,056 such services. 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 three quarters of 2017 the average revenue per contract customer increased by 1.1%, to PLN 89.0 from PLN 88.0 in the corresponding period of 2016. In the third quarter of 2017 ARPU remained stable and amounted to PLN 88.4, from PLN 88.6, recorded in the corresponding period of 2016. ARPU in the third quarter of 2017 was significantly negatively impacted by the levelling of retail roaming charges with domestic fees across the European Economic Area as of June 15, 2017 (the *Roam Like at Home* regulation). We also anticipate that this impact may adversely affect the rate of growth of contract ARPU over the next three quarters.

Our churn rate amounted to 8.8% in the twelve-month period ended September 30, 2017, compared to 8.5% in the twelve-month period ended September 30, 2016, remaining at a low, stable level. This is primarily the effect of the systematically growing loyalty of our customers connected with the successful implementation of our multiplay strategy.

Our bundled services offer, based on a mechanism of offering attractive rebates on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the level of RGU saturation per customer, ARPU per contract customer, and the churn rate.

As at September 30, 2017, already 1,443,581 customers were using our bundled offer, which constitutes an increase of 209,813 customers, or 17.0%, YoY. This means that the saturation of our customer base with multiplay services was at the level of 24.9% at the end of the third quarter of 2017. This group of customers had a total of 4,305,938 RGUs, that is by 659,945, or 18.1%, more than in the previous year. In the second quarter of 2017 we addressed the bundled services offer also to customers who subscribe to services in low-end tariffs, which has a positive influence on the growth dynamics of the multiplay customer base, as well as on the blended level of ARPU across the entire customer base. 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 September 30, 2017 decreased by 647,743, that is by 18.4%, to 2,880,161 from 3,527,904 as at September 30, 2016. The year on year erosion of the prepaid RGU base was driven mainly by the statutory obligation to register newly purchased prepaid SIM cards starting from July 25, 2016, that led to a significant decline in the number of new activations on the entire market, as well as the obligation to deactivate after February 1, 2017 all prepaid SIM cards that had not been validly registered. As opposed to other large operators on the Polish market, we decided to report only validly registered prepaid SIM cards as of February 1, 2017. Combined with very good sales the above resulted in an increase of the number of provided prepaid services (in all categories) by 26 thousand QoQ.

In three quarters of 2017, average revenue per prepaid RGU (prepaid ARPU) increased by 7.6%, to PLN 19.8 from PLN 18.4 in the corresponding period of 2016, whereas in the third quarter of 2017 prepaid ARPU increased by 8.0% to PLN 20.2 from PLN 18.7 in the corresponding period of 2016. High growth dynamics of prepaid ARPU in both analyzed periods of 2017 was, among other things, the effect of the elimination of SIM cards characterized by low ARPU (so called one-time use cards) from the base, as well as the expiration of the effect of promotions aimed at encouraging users to register their prepaid cards early, as these promotions had a negative impact on APRU in the prepaid segment in the third quarter of the previous year.

4.1.2. Braodcasting and television production segment

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

Audience shares

	3 months ended September 30		*change [pp]*	9 months ended September 30		*change [pp]*
	2017	2016		2017	2016	
Audience share[(1) (2)], including:	**24.43%**	**24.50%**	***(0.07)***	**24.48%**	**24.68%**	***(0.20)***
POLSAT (main channel)	***11.96%***	***12.91%***	***(0.95)***	***12.45%***	***13.09%***	***(0.64)***
Thematic channels	***12.47%***	***11.59%***	***0.88***	***12.03%***	***11.59%***	***0.44***
TV4	3.89%	3.29%	*0.60*	3.99%	3.53%	*0.46*
TV6	1.56%	1.72%	*(0.16)*	1.60%	1.75%	*(0.15)*
Polsat 2	1.50%	1.62%	*(0.12)*	1.42%	1.45%	*(0.03)*
Super Polsat[(3)]	0.97%	n/a	*(0.97)*	0.37%	n/a	*0.37*
Polsat Film	0.77%	0.77%	-	0.77%	0.79%	*(0.02)*
Polsat News	0.90%	0.93%	*(0.03)*	0.78%	0.80%	*(0.02)*
Polsat Play	0.63%	0.67%	*(0.04)*	0.59%	0.68%	*(0.09)*
Polsat Cafe	0.42%	0.46%	*(0.04)*	0.42%	0.38%	*0.04*
Polsat Sport	0.45%	0.36%	*0.09*	0.37%	0.49%	*(0.12)*
Disco Polo Music	0.25%	0.32%	*(0.07)*	0.21%	0.27%	*(0.06)*
CI Polsat	0.23%	0.17%	*0.06*	0.18%	0.14%	*0.04*
Polsat JimJam	0.15%	0.22%	*(0.07)*	0.16%	0.23%	*(0.07)*
Polsat Viasat History	0.15%	0.16%	*(0.01)*	0.15%	0.13%	*0.02*
Polsat Viasat Explore	0.08%	0.13%	*(0.05)*	0.11%	0.10%	*0.01*
Polsat Romans	0.14%	0.17%	*(0.03)*	0.12%	0.16%	*(0.04)*
Polsat Sport Extra	0.13%	0.07%	*0.06*	0.10%	0.09%	*0.01*
Polsat News 2	0.05%	0.08%	*(0.03)*	0.08%	0.08%	-
Polsat Music HD [(4)]	0.06%	0.03%	*0.03*	0.04%	0.02%	*0.02*
Polsat Sport News HD[(5)]	0.06%	n/a	*0.06*	0.04%	n/a	*0.04*
Polsat Doku[(6)]	0.04%	n/a	*0.04*	0.04%	n/a	*0.04*
Polsat Sport Fight[(7)]	0.04%	n/a	*0.04*	0.03%	n/a	*0.03*
Polsat Viasat Nature	0.02%	0.03%	*(0.01)*	0.02%	0.03%	*(0.01)*
Polsat Sport News[(5)]	n/a	0.29%	*(0.29)*	n/a	0.37%	*(0.37)*
Polsat Food Network[(8)]	n/a	0.10%	*(0.10)*	n/a	0.10%	*(0.10)*
Polsat 1[(9)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Advertising market share[(10)]	**28.6%**	**27.3%**	***1.3***	**27.2**	**26.6**	***0.6***

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 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) From January 2017 channel available as “Food Network” in TVN Group.
9) Channel not included in the telemetric panel.
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 third quarter and three quarters of 2017 amounted to 24.4% and 24.5%, respectively. In both analyzed periods the total audience share for the Group was under pressure from lower viewership figures of the main channel POLSAT, which was connected with the broadcasts of very popular UEFA EURO 2016 matches in the corresponding periods of the last year. As a result in the third quarter of 2017 the main channel had an audience share of nearly 12% - down by close to 1 p.p. compared to the corresponding period of 2016 - whereas in three quarters of 2017 the audience share decreased by 0.6 p.p. to the level of 12.5%.

In turn, the consistently growing audience share of thematic channels, which increased by a total of nearly 0.9 p.p. in the third quarter of 2017, to the level of 12.5%, and in three quarters of 2017 – by 0.4 p.p. to the level of 12.0%, had a positive impact on viewership figures recorded by the entire Polsat Group. While comparing three quarters of 2017 with the corresponding period of 2016, we observed the highest growth in terms of audience share as a result of the launch of Super Polsat channel, as well as the increasing popularity of the channel TV4, which stems from an enriched programing offer of this channel, and specifically to broadcasting in *prime time* of very popular detective and crime series. On the other hand, the growing shares of other thematic channels, in particular CI Polsat, Polsat Viasat Explore and Polsat Viasat History, are due to the systematic increase of the technical reach of these channels. The Polsat Music HD improved its viewership figures notably, which was related to the rebranding of this channel in the second quarter of 2017.

Both in the third quarter and three quarters of 2017, 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 the most popular, gaining an audience share of 18.5% in both the third quarter and three quarters of 2017. Monday's film slot *Mega Hit* had an audience share of 14% in the third quarter and 16% in three quarters of 2017. The series *Świat według Kiepskich,* aired from Monday to Saturday at 7.30 p.m. had an audience share of 11.7% in the third quarter and 12.1% in three quarters of 2017.

The news program broadcast daily at 6.50 p.m., *Wydarzenia* (*News*), maintained high viewership figures with an audience share of 16.4% in the third quarter and 17.2% in three quarters of 2017. The morning block of news and information programs, *Nowy Dzień z Polsat News* (*New day with Polsat News*), broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 17.3% in the third quarter of 2017 and almost 17% in three quarters of 2017.

The results of both the third quarter and three quarters of 2017 were significantly influenced by programs from the season broadcast 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 14.9% in the third quarter and 14.2% in three quarters of 2017. Another position in our scheduling, the show *Our New House*, gathered on average 13% of viewers in the third quarter and 13.5% in three quarters of 2017. The reality show *The Brain* had an audience share of 10.9% in the third quarter and 13.9% in three quarters of 2017. *Live cabaret* entertainment series, broadcast on Sunday evenings, had an audience share of 13.7% in the third quarter of 2017 and 14.7% in three quarters of 2017. The results of novelties introduced in the autumn broadcast programming are worth mentioning. In the third quarter of 2017 the drama series *In the Heart's Rhythm* gained an audience share of 13.8%, while the reality show *Plus Size Supermodel* – 13.6%.

Additionally, record high results of sports events broadcast in three quarters of 2017 are worth notice. The most widely viewed qualifying match to the FIFA World Cup 2018 was the match Poland-Romania of June 10, 2017 with a total share of Polsat and Polsat Sport of 61.3%. Broadcasts of matches of the 2017 UEFA European Under-21 Championship were another sport event worth mentioning. The best viewed match, Poland–Sweden of June 19, 2017, gained a total audience share of 33.1%.

Cabaret shows were highly popular in the analyzed period. *Polsat Superhit Festival 2017* gained a very high audience share. The broadcasting of this festival on May 28, 2017, entitled *Sopocki Hit Kaberetowy – Życie Jest Piękne,* attracted 28.7% of viewers to their TV sets. The cabaret *XI Płocka Noc Kabaretowa,* aired on April 30, 2017 on the main channel, had an audience share of 25.2%. The concert *Wrocław w rytmie disco*, aired on Polsat channel on June 14, 2017 gave the channel a 26.1% share in the audience. Moreover, the *Świętokrzyska Gala Kabaretowa,* aired on August 25 2017, had an audience share of 23.0%.

Advertising and sponsoring market share

According to preliminary Starcom estimates, expenditures on TV advertising and sponsoring in the three quarters of 2017 amounted to about PLN 2.8 billion and decreased year-on-year by 0.5%. Based on these data, we estimate that in the three quarters of 2017 our TV advertising market share increased year-on-year by 0.6 percentage points to 27.2% from 26.6% in the corresponding period of 2016.

In the third quarter of 2017, expenditures on TV advertising and sponsoring amounted to ca. PLN 809 million, which constitutes a decrease of 0.7% year-on-year. Our TV ad market share increased by 1.3 percentage points to 28.6% in the third quarter of 2017 from 27.3% in the corresponding period of 2016.

If we compare the current portfolio of Polsat Group's channels, we generated 2% less GRPs in the three quarters of 2017 compared to the corresponding period of 2016.

Distribution and technical reach

Technical reach(1)	3 months ended September 30		Change [pp]	9 months ended September 30		Change [pp]
	2017	2016		2017	2016	
Polsat	100.0%	99.9%	*0.1*	100.0%	99.9%	*0.1*
TV4	100.0%	99.8%	*0.2*	99.9%	99.9%	-
Super Polsat(2)	96.8%	n/a	*96.8*	96.4%	n/a	*96.4*
TV6	95.6%	95.0%	*0.6*	95.6%	94.5%	*1.1*
Polsat 2	63.3%	63.4%	*(0.1)*	63.2%	63.1%	*0.1*
Polsat News 2	58.2%	56.4%	*1.8*	57.8%	55.8%	*2.0*
Polsat News	56.7%	55.7%	*1.0*	56.4%	55.8%	*0.6*
Polsat Cafe	56.1%	55.0%	*1.1*	56.0%	55.0%	*1.0*
Polsat Film	52.8%	51.5%	*1.3*	52.7%	51.2%	*1.5*
Polsat Play	51.2%	49.0%	*2.2*	50.8%	48.7%	*2.1*
Polsat Viasat History	48.5%	48.2%	*0.3*	47.4%	41.9%	*5.5*
Disco Polo Music	48.7%	46.2%	*2.5*	48.2%	46.0%	*2.2*
Polsat Sport	47.3%	48.0%	*(0.7)*	47.4%	48.4%	*(1.0)*
Polsat Romans	48.4%	45.1%	*3.3*	47.4%	45.8%	*1.6*
Polsat JimJam	45.8%	44.6%	*1.2*	45.7%	44.3%	*1.4*
Polsat Viasat Explore	42.9%	43.3%	*(0.4)*	43.8%	37.2%	*6.6*
Polsat Viasat Nature	43.3%	41.8%	*1.5*	43.8%	34.5%	*9.3*
Polsat Music HD(3)	46.0%	41.2%	*4.8*	43.6%	40.5%	*3.1*
CI Polsat	40.8%	39.6%	*1.2*	40.6%	39.1%	*1.5*
Polsat Sport Extra	36.2%	35.4%	*0.8*	36.2%	35.8%	*0.4*
Polsat Sport News HD(4)	28.6%	n/a	*28.6*	27.7%	n/a	*27.7*
Polsat Doku(5)	23.5%	n/a	*23.5*	22.7%	n/a	*22.7*
Polsat Sport Fight(6)	12.3%	n/a	*12.3*	11.8%	n/a	*11.8*
Polsat Sport News(4)	n/a	95.0%	*(95.0)*	n/a	94.6%	*(94.6)*
Polsat Food Network(7)	n/a	25.6%	*(25.6)*	n/a	25.2%	*(25.2)*
Polsat 1(8)	n/a	n/a	*n/a*	n/a	n/a	*n/a*

1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach.
2) Channel broadcasting in DTT since January 2, 2017, replaced Polsat Sport News
3) Channel broadcast since May 26, 2017, replaced MUZO.TV.
4) Channel available only in cable and satellite networks since January 2, 2017 under the name "Polsat Sport News HD".
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) From January 2017 channel available as "Food Network" in TVN Group.
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 systematically increasing availability of our channels is clearly visible. Comparing data for both the third quarter and three quarters of 2017 with corresponding periods of 2016, the highest growth dynamics in technical reach were recorded by Polsat Viasat Nature, Polsat Viasat History and Polsat Viasat Explore, which was connected with intensive marketing actions, such as "open windows" and other promotions offered be selected pay TV operators. The music channels (Polsat Music HD and Disco Polo Music) also systematically improve their respective technical reach.

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 the profit or loss statement 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. 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 the Group's financial situation

The following review of results for the 3 and 9-month periods ended September 30, 2017 was prepared based on the interim condensed consolidated financial statements for the 9-month period ended September 30, 2017, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analyses.

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

We emphasize that the financial data for the nine months of 2017 are not fully comparable with data for the corresponding period of 2016 due to the acquisition of Litenite Limited, the direct parent of Aero2 Group on February 29, 2016, IT Polpager S.A. on September 30, 2016 and Paszport Korzyści Sp. z o.o. (currently Plus Flota Sp. z o.o.) on September 7, 2017.

Due to the fact that the results of IT Polpager S.A. and Paszport Korzyści Sp .z o.o. (currently Plus Flota Sp. z o.o.) do not have a material impact on the results of the Group, they will not be subject to elimination in the analysis of the Group's financial situation. Concurrently, we emphasize that we also do not eliminate the effect of consolidation of Aero2 Group on the results of Polsat Group, however we indicated the positions significantly influenced by the consolidation of Aero2 Group in the nine-month period ended September 30, 2017.

4.3.1. Income statement analysis

4.3.1.1. Review of financial results for the third quarter of 2017 and 2016

[mPLN]	for the 3-month period ended September 30		change	
	2017	2016	[mPLN]	[%]
Revenue	2,390.9	2,387.8	3.1	0.1%
Operating costs	(1,975.7)	(1,938.7)	(37.0)	1.9%
Other operating income, net	6.7	-	6.7	n/a
Profit from operating activities	**421.9**	**449.1**	**(27.2)**	**(6.1%)**
Gain/(loss) on investment activities, net	(28.0)	13.1	(41.1)	(313.7%)
Financial costs	(104.8)	(127.3)	22.5	(17.7%)
Gross profit for the period	**289.1**	**334.9**	**(45.8)**	**(13.7%)**
Income tax	(54.2)	(65.1)	10.9	(16.7%)
Net profit for the period	**234.9**	**269.8**	**(34.9)**	**(12.9%)**
EBITDA	***851.1***	***957.0***	***(105.9)***	***(11.1%)***
EBITDA margin	***35.6%***	***40.1%***	***-***	***(4.5 p.p.)***

Revenue

Our total revenue remained stable in the third quarter of 2017 and amounted to PLN 2,309.9 million versus PLN 2,387.8 million in the third quarter of 2016. Factors influencing the level of revenue are described below.

	for the 3-month period ended September 30		change	
	2017	2016	[mPLN]	[%]
Retail revenue	1,494.0	1,583.7	(89.7)	(5.7%)
Wholesale revenue	588.4	562.9	25.5	4.5%
Sale of equipment	264.5	221.3	43.2	19.5%
Other revenue	44.0	19.9	24.1	121.1%
Revenue	**2,390.9**	**2,387.8**	**3.1**	**0.1%**

Retail revenue

In the third quarter of 2017, retail revenue decreased by PLN 89.7 million, or 5.7%, to PLN 1,494.0 million from PLN 1,583.7 million in the third quarter of 2016. This decrease was primarily due to lower revenue from voice services. Several factors contributed to the erosion of revenue from voice services, in particular the full implementation of the *Roam Like at Home* regulation, imposing the levelling of retail roaming charges with domestic charges (as of June 15, 2017), 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), a lower number of prepaid activations, which is related to the statutory obligation of prepaid SIM registration. The decrease in retail revenue was partially compensated by higher revenue from pay TV and higher revenue from mobile Internet access services.

Wholesale revenue

Wholesale revenue increased by PLN 25.5 million, or 4.5%, to PLN 588.4 million in the third quarter of 2017 from PLN 562.9 million in the third quarter of 2016. The increase of wholesale revenue was triggered primarily by higher revenue from interconnection services, which in turn was the result of the increasing volume of traffic exchanged with other networks, as well as higher revenue from the wholesale sale of traffic in domestic and international roaming. The growth dynamics of wholesale revenue was distorted to a significant extent by the effect of a high base in the comparative period, as in the third quarter 2016 this item comprised additional revenue related to the multichannel monetization of sports rights to the EURO UEFA 2016 tournament.

Sale of equipment

Revenue from the sale of equipment increased by PLN 43.2 million, or 19.5%, to PLN 264.5 million in the third quarter of 2017 from PLN 221.3 million in the third quarter of 2016, which was due primarily to higher revenue from installment plan sales of equipment related to the increasing share of this model in equipment sales, as well as to our customers' increased demand for more advanced and expensive devices.

Other revenue

Other revenue increased by PLN 24.1 million, or 121.1%, to PLN 44.0 million in the third quarter of 2017 from PLN 19.9 million in the third quarter of 2016. This increase was due, among other things, to growing revenue from interest on installment plan sales of equipment to residential customers.

Operating costs

Our total operating costs increased by PLN 37.0 million, or 1.9%, to PLN 1,975.7 million in the third quarter of 2017 from PLN 1,938.7 million in the third quarter of 2016. Operating costs increased for the reasons set forth below.

	for the 3-month period ended September 30		change	
	2017	2016	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	528.5	459.2	69.3	15.1%
Depreciation, amortization, impairment and liquidation	429.2	507.9	(78.7)	(15.5%)
Cost of equipment sold	323.3	330.5	(7.2)	(2.2%)
Content costs	269.7	252.1	17.6	7.0%
Distribution, marketing, customer relation management and retention costs	224.0	202.6	21.4	10.6%
Salaries and employee-related costs	127.4	130.5	(3.1)	(2.4%)
Cost of debt collection services and bad debt allowance and receivables written off	21.3	5.7	15.6	273.7%
Other costs	52.3	50.2	2.1	4.2%
Operating costs	**1,975.7**	**1,938.7**	**37.0**	**1.9%**

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with mobile network operators increased by PLN 69.3 million, or 15.1%, to PLN 528.5 million in the third quarter of 2017 from PLN 459.2 million in the third quarter of 2016. This increase resulted from higher costs related to a significant increase in the volume of traffic generated in international roaming (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs decreased by PLN 78.7 million, or 15.5%, to PLN 429.2 million in the third quarter of 2017 from PLN 507.9 million in the third quarter of 2016, among others due to the termination of the amortization period of certain intangible assets, acquired alongside Polkomtel in 2014 (relates to the item "Relations with customers" on the balance sheet), as well as lower costs of depreciation of the telecommunication infrastructure which is connected with the termination of the depreciation period of selected elements of this infrastructure.

Cost of equipment sold

The cost of equipment sold decreased by PLN 7.2 million, or by 2.2%, to PLN 323.3 million in the third quarter of 2017 compared to PLN 330.5 million in the third quarter of 2016 as a consequence of a lower volume of sales of end-user devices to individual customers.

Content costs

Content costs increased by PLN 17.6 million, or 7.0%, to PLN 269.7 million in the third quarter of 2017 from PLN 252.1 million in the third quarter of 2016. This increase was due primarily to higher costs of sports licenses, which was related with the broadcasting of the 2017 Men's and Women's European Volleyball Championship and the tennis grand slam tournament US Open, and well as higher costs of programming licenses connected with increasing popularity of our premium programming packages among our pay TV customers.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 21.4 million, or 10.6%, to PLN 224.0 million in the third quarter of 2017 from PLN 202.6 million in the third quarter of 2016, among others due to the intensification of marketing campaigns and the recognition of higher costs of distribution, which was reflected in very good sales results.

Salaries and employee-related costs

Salaries and employee-related costs decreased by PLN 3.1 million, or 2.4%, to PLN 127.4 million in the third quarter of 2017 from PLN 130.5 million in the third quarter of 2016, among others as a result of a decrease in the average level employment in the Group.

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

The cost of debt collection services and bad debt allowance and receivables written off increased by PLN 15.6 million, or 273.7%, to PLN 21.3 million in the third quarter of 2017 compared to PLN 5.7 million the third quarter of 2016, among others due to a change in the structure of sales and a higher share of sales based on the installment plan model as well as a low base in the comparative period.

Other costs

Other costs amounted to PLN 52.3 million in the third quarter of 2017 and remained at a similar level compared to PLN 50.2 million in the third quarter of 2016.

Other operating income and costs, net

Other net operating income increased amounted to PLN 6.7 million in the third quarter of 2017, compared to PLN 0 in the comparative period.

Gains/(losses) on investment activities, net

Net losses on investment activities amounted to PLN 28.0 million in the third quarter of 2017, which constitutes a decrease by PLN 41.1 million, or 313.7%, compared to net gains on investment activities of PLN 13.1 million in the third quarter of 2016. This was, among other things, the effect of higher foreign exchange costs related to the valuation of UMTS license liabilities, caused by the depreciation of the PLN versus the EUR in the third quarter of 2017, while the PLN appreciated versus the EUR in the comparative period.

Finance costs

Finance costs amounted to PLN 104.8 million in the third quarter of 2017 and decreased by PLN 22.5 million, or 17.7%, compared to PLN 127.3 million in the second quarter of 2016. This decrease was caused primarily by a decline in costs of interest on bonds following the early redemption of the Litenite Notes in April 2017, as well as lower interest costs related to the service of the Combined SFA as a result of repayments according to schedule and a lower margin resulting from a lower level of indebtedness of the Group.

Net profit

As a consequence of the changes described above, net profit decreased by PLN 34.9 million, or 12.9%, to PLN 234.9 million in the third quarter of 2017 from PLN 269.8 million in the third quarter of 2016.

EBITDA & EBITDA margin

EBITDA decreased by PLN 105.9 million, or 11.1%, to PLN 851.1 million in the third quarter of 2017 from PLN 957.0 million in the third quarter of 2016. In the third quarter of 2017, EBITDA dynamics was driven primarily by two factors: on the one hand by the strong adverse effect of the *Roam Like at Home* regulation, which resulted in a decrease in the margin on provided international roaming services by ca. PLN 62 million YoY, and on the other hand by a high base effect in the comparative period associated with a positive one-off event, that was the UEFA EURO 2016 tournament.

EBITDA margin decreased by 4.5 p.p., to 35.6% in the third quarter of 2017 from 40.1% in the third quarter of 2016.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 4.810 full-time equivalents in the third quarter of 2017 compared to 5,009 full-time equivalents in the corresponding period of 2016. The decline in the average level of employment in the Group is connected with, on the one hand, a greater degree of integration of departments within the Group, thus leading to an improvement of efficiency, and on the other with a modification of the model of managing the Group's sales network.

4.3.1.2. Comparison of financial results for the three quarters of 2017 and 2016

[mPLN]	for the 9-month period ended September 30		change	
	2017	2016(1)	[mPLN]	[%]
Revenue	7,249.4	7,194.7	54.7	0.8%
Operating cost	(5,876.7)	(5,928.7)	52.0	(0.9%)
Other operating income, net	23.4	13.4	10.0	74.6%
Profit from operating activities	**1,396.1**	**1,279.4**	**116.7**	**9.1%**
Gain/(loss) on investment activities, net	(11.9)	(43.5)	31.6	(72.6%)
Financial costs	(403.6)	(443.2)	39.6	(8.9%)
Gross profit for the period	**980.6**	**792.7**	**187.9**	**23.7%**
Income tax	(192.6)	(113.5)	(79.1)	69.7%
Net profit for the period	**788.0**	**679.2**	**108.8**	**16.0%**
EBITDA	***2,744.3***	***2,738.5***	***5.8***	***0.2%***
EBITDA margin	***37.9%***	***38.1%***	***-***	***(0.2 p.p.)***

(1) Consolidation of the results of Aero2 Group (formerly Midas Group) from February 29, 2016.

Revenue

Our total revenue increased by PLN 54.7 million, or 0.8%, to PLN 7,249.4 million in three quarters of 2017 from PLN 7,194.7 million in the corresponding period of 2016.

	for the 9-month period ended September 30		Change	
	2017	2016	[mPLN]	[%]
Retail revenue	4,570.0	4,736.3	(166.3)	(3.5%)
Wholesale revenue	1,802.8	1,807.7	(4.9)	(0.3%)
Sale of equipment	756.4	585.2	171.2	29.3%
Other revenue	120.2	65.5	54.7	83.5%
Revenue	**7,249.4**	**7,194.7**	**54.7**	**0.8%**

(1) Consolidation of the results of Aero2 Group (formerly Midas Group) from February 29, 2016.

Retail revenue

In three quarters of 2017, retail revenue decreased by PLN 166.3 million, or 3.5%, to PLN 4,570.0 million from PLN 4,736.3 million in three quarters of 2016. This decrease was primarily due to lower revenue from voice services. Several factors contributed to the erosion of revenue from voice services, in particular the full implementation of the *Roam Like at Home* regulation, imposing the levelling of retail roaming charges with domestic charges (as of June 15, 2017), 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), a lower number of prepaid activations, which is related to the statutory obligation of prepaid SIM registration. The decrease in retail revenue was partially compensated by higher revenue from pay TV and higher revenue from mobile Internet access services.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Wholesale revenue

Wholesale revenue amounted to PLN 1,802.8 million in three quarters of 2017 and decreased slightly from PLN 1,807.7 million in three quarters of 2016. The decrease of wholesale revenue was triggered primarily by the fact, that in January and February of 2016 this item comprised revenue from the lease of telecommunication infrastructure to Aero2 Group, which is subject to elimination during consolidation in the first three quarters of 2017 as a result of the acquisition of Aero2 Group on February 29, 2016. Moreover, in the first half of 2016 this item comprised additional revenue related to the multichannel monetization of sports rights to the EURO UEFA 2016 tournament.

The streams of revenue that demonstrated a positive growth trend in this revenue category included revenue from interconnection services resulting from increasing volumes of traffic exchanged with other networks, as well as revenue from domestic and international roaming services.

Sale of equipment

Revenue from the sale of equipment increased by PLN 171.2 million, or 29.3%, to PLN 756.4 million in three quarters of 2017 from PLN 585.2 million in three quarters of 2016, which was due primarily to higher revenue from installment plan sales of equipment related to the increasing share of this model in equipment sales, as well as to the customers' increased demand for more advanced and expensive devices.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Other revenue

Other revenue increased by PLN 54.7 million, or 83.5%, to PLN 120.2 million in three quarters of 2017 from PLN 65.5 million in three quarters of 2016. This increase was the result, *inter alia*, of growing revenue from interest on installment plan sales of equipment to residential customers.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Operating costs

Our total operating costs decreased by PLN 52.0 million, or 0.9%, to PLN 5,876.7 million in three quarters of 2017 from PLN 5,928.7 million in three quarters of 2016.

	for the 9-month period ended September 30		change	
	2017	2016(1)	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	1,480.2	1,466.1	14.1	1.0%
Depreciation, amortization, impairment and liquidation	1,348.2	1,459.1	(110.9)	(7.6%)
Cost of equipment sold	965.7	974.6	(8.9)	(0.9%)
Content costs	832.4	816.9	15.5	1.9%
Distribution, marketing, customer relation management and retention costs	651.0	605.3	45.7	7.5%
Salaries and employee-related costs	388.9	406.6	(17.7)	(4.4%)
Cost of debt collection services and bad debt allowance and receivables written off	56.9	31.6	25.3	80.1%
Other costs	153.4	168.5	(15.1)	(9.0%)
Operating costs	**5,876.7**	**5,928.7**	**(52.0)**	**(0.9%)**

(1) Consolidation of the results of Aero2 Group (formerly Midas Group) from February 29, 2016.

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with mobile network operators increased by PLN 14.1 million, or 1.0%, to PLN 1,480.2 million in three quarters of 2017 from PLN 1,466.1 million in three quarters of 2016. This increase was the effect of higher interconnection costs related to the popularization of tariffs offering unlimited connections to other telecommunication networks, as well as higher costs related to the wholesale purchase of traffic in international roaming related to a significant increase in the volume of traffic generated in international roaming (an effect of the *Roam Like at Home* regulation). Concurrently, the factor negatively influencing the growth dynamics of technical costs and the costs of settlements with telecommunication operators was the elimination on consolidation of the costs of wholesale purchase of data traffic within our broadband Internet access service in connection with the acquisition of Aero2 Group on February 29, 2016 (in the comparative period the aforementioned costs were incurred in the months of January and February 2016).

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs decreased by PLN 110.9 million, or 7.6%, to PLN 1,348.2 million in three quarters of 2017 from PLN 1,459.1 million in three quarters of 2016, among others as the result of the termination of the amortization period of certain intangible assets, acquired alongside Polkomtel in 2014 (relates to the item "Relations with customers" on the balance sheet), as well as lower costs of depreciation of the telecommunications infrastructure which is connected with the termination of the depreciation period of selected elements of this infrastructure. This decrease was partially offset by the consolidation of depreciation costs of Aero2 Group for the full period, whereas in the comparative period these costs were consolidated starting from February 29, 2016.

Cost of equipment sold

The cost of equipment sold decreased by PLN 8.9 million, or 0.9%, to PLN 965.7 million in three quarters of 2017 compared to PLN 974.6 million in three quarters of 2016 as a consequence of a lower volume of sales of end-user devices to individual customers.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Content costs

Content costs increased by PLN 15.5 million, or 1.9%, to PLN 832.4 million in three quarters of 2017 from PLN 816.9 million in three quarters of 2016. This increase is due primarily to higher costs of programming licenses, which was connected with expanding the programming packages chosen by our pay TV customers, and was partially off-set by the recognition of lower costs of sports licenses (in the comparative period higher costs of sports licenses were connected with the broadcasting of UEFA EURO 2016).

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 45.7 million, or 7.5%, to PLN 651.0 million in three quarters of 2017 from PLN 605.3 million in three quarters of 2016, among others due to the intensification of marketing campaigns and the recognition of higher costs of distribution, which was reflected in very good sales results, as well as due to the recognition of higher costs of customer service and retention, associated, among others, with an increase in per hour rates resulting from an upward pressure on wages on the Polish labor market.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Salaries and employee-related costs

Salaries and employee-related costs decreased by PLN 17.7 million, or 4.4%, to PLN 388.9 million in three quarters of 2017 from PLN 406.6 million in three quarters of 2016, among others as a result of a decrease in the average level employment in the Group.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

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

The cost of debt collection services and bad debt allowance and receivables written off increased by PLN 25.3 million, or 80.1%, to PLN 56.9 million in three quarters of 2017 from PLN 31.6 million in three quarters of 2016, primarily due to a change in the structure of sales and a higher share of sales based on the installment plan model as well as a low base in the comparative period.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Other costs

Other costs decreased by PLN 15.1 million, or 9.0%, to PLN 153.4 million in three quarters of 2017 from PLN 168.5 million in three quarters of 2016, among others as a result of the recognition in the comparative period of the cost of sold licenses related to the UEFA EURO 2016 tournament, while no such costs were recognized in three quarters of 2017.

The effect of consolidation of Aero2 Group was immaterial on this item of the profit and loss statement.

Other operating income/costs, net

Other operating income, net increased by PLN 10.0 million, or 74.6%, to PLN 23.4 million in three quarters of 2017 from PLN 13.4 million in the corresponding period of 2016.

The effect of consolidation of Aero2 Group was immaterial on this position of the profit and loss statement.

Gains/(losses) on investment activities, net

Net losses on investment activities amounted to PLN 11.9 million in three quarters of 2017 and was by PLN 31.6 million, or 72.6%, lower compared to net losses on investment activities of PLN 43.5 million in the corresponding period of 2016. This was due, among other factors, to foreign exchange gains resulting from the decrease in the valuation of UMTS license liabilities, which was caused by an appreciation of the PLN versus the EUR in three quarters of 2017, whereas a depreciation of the PLN versus the EUR was recorded in the corresponding period of 2016.

Finance costs

Finance costs amounted to PLN 403.6 million in three quarters of 2017 and decreased by PLN 39.6 million, or 8.9%, compared to PLN 443.2 million in the corresponding period of 2016. This decrease was caused, among other factors, by lower interest costs on bank loans and bonds as a consequence of our consistent deleveraging policy: in three quarters of 2017 we prematurely redeemed the Litenite Notes, whereas in three quarters of 2016 we prematurely redeemed the PLK Senior Notes and repaid bank loans and bonds of the then Midas Group (currently Aero2 Group). Concurrently, we emphasize that the dynamics of finance costs was affected by one-off events related to debt repayment. In nine months of 2017 this item comprised a one-off cost in the amount of ca. PLN 58.7 million related to the payment of a premium for the early redemption of the Litenite Notes executed on April 26, 2017, while in nine months of 2016 the early redemption of the PLN Senior Notes was associated with foreign currency valuation of these notes, as well as the valuation and realization of forward contracts hedging the repayment of the principal of the notes.

Net profit

As a consequence of the changes described above, net profit increased by PLN 108.8 million, or 16.0%, to PLN 788.0 million in three quarters of 2017 from PLN 679.2 million in the corresponding period of 2016.

EBITDA & EBITDA margin

EBITDA profit amounted to PLN 2,744.3 million in three quarters of 2017 and remained at a similar level compared to PLN 2,738.5 million in the corresponding period of 2016. EBITDA margin also remained on a stable level and amounted to 37.9% in three quarters of 2017 compared to 38.1% in the corresponding period of 2016.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 4,799 full-time equivalents in three quarters of 2017, as compared to 5.030 full-time equivalents in the corresponding period of 2016. The decline in the average level of employment in the Group is connected with, on the one hand, a greater degree of integration of departments within the Group, thus leading to an improvement of efficiency, and on the other with a modification of the model of managing the Group's sales network.

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 in the contract model (postpaid and mix) which generate revenues mainly from interconnection, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- online TV services (IPLA), which generate revenues mainly from subscription fees and advertising on the Internet;
- premium rate services based on SMS/IVR/MMS/WAP technologies;
- production of set-top boxes;
- sale of telecommunication and TV reception equipment;
- 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 nine months ended September 30, 2017:

9 months ended September 30, 2017 (unaudited) [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,379.5	869.9	-	7,249.4
Inter-segment revenues	30.5	130.3	(160.8)	-
Revenues	**6,410.0**	**1,000.2**	**(160.8)**	**7,249.4**
EBITDA (unaudited)	**2,389.3**	**355.0**	**-**	**2,744.3**
Depreciation, amortization, impairment and liquidation	1,319.5	28.7	-	1,348.2
Profit from operating activities	**1,069.8**	**326.3**	**-**	**1,396.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	635.7*	19.2	-	654.9
Balance as at September 30, 2017 (unaudited)				
Assets, including:	**22,507.0**	**4,434.2****	**(48.6)**	**26,892.6**
Investments in joint ventures	-	5.8	-	5.8

* This item also includes the acquisition of reception equipment for operating lease purposes.
**This item includes non-current assets located outside of Poland in the amount of PLN 67.1 million.

All material revenues are generated in Poland.

It should be noted that the nine-month period ended September 30, 2017 is not comparable to the nine-month period ended September 30, 2016 as Litenite Limited was acquired on February 29, 2016 (allocated to the Services to individual and business customers segment), IT Polpager S.A. was acquired on September 30, 2016 (allocated to the Services to individual and business customers segment) and Paszport Korzyści Sp. z o.o. (currently Plus Flota Sp. z o.o.) was acquired on September 7, 2017 (allocated to the Services to individual and business customers segment).

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

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

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

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the 9-month period ended September 30 2017 unaudited	2016 unaudited
EBITDA (unaudited)	**2,744.3**	**2,738.5**
Depreciation, amortization, impairment and liquidation	(1,348.2)	(1,459.1)
Profit from operating activities	**1,396.1**	**1,279.4**
Other foreign exchange rate differences, net	29.5	(45.0)
Interest costs, net	(317.8)	(384.6)
Foreign exchange differences on issued bonds	-	(244.8)
Valuation and realization of derivatives not used in hedge accounting – relating to principal	-	203.8
Other	(127.2)	(16.1)
Gross profit for the period	**980.6**	**792.7**
Income tax	(192.6)	(113.5)
Net profit for the period	**788.0**	**679.2**

4.3.3. Balance sheet analysis

As at September 30, 2017 our balance sheet amounted to PLN 26,892.6 million and decreased by PLN 836.7 million, or 3.0%, from PLN 27,729.3 million as at December 31, 2016.

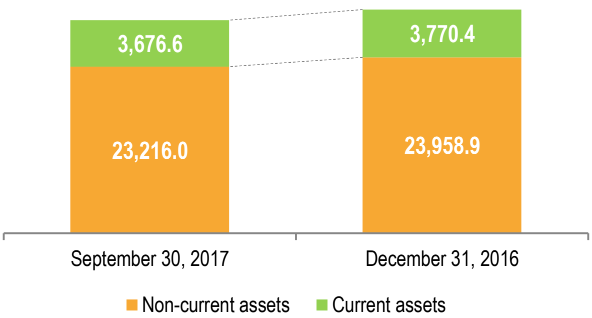
Assets

[mPLN]	September 30, 2017	December 31, 2016	Change [mPLN]	%
Reception equipment	324.0	350.9	(26.9)	(7.7%)
Other property, plant and equipment	2,866.4	2,964.3	(97.9)	(3.3%)
Goodwill	10,975.4	10,975.4	-	-
Customer relationships	2,660.5	3,031.2	(370.7)	(12.2%)
Brands	2,038.4	2,056.5	(18.1)	(0.9%)
Other intangible assets	3,343.6	3,656.2	(312.6)	(8.5%)
Non-current programming assets	180.5	151.8	28.7	18.9%
Investment property	5.1	5.1	-	-
Non-current deferred distribution fees	85.8	82.8	3.0	3.6%
Other non-current assets	544.2	452.0	92.2	20.4%
includes derivative instruments assets	*2.5*	*9.5*	*(7.0)*	*(73.7%)*
Deferred tax assets	192.1	232.7	(40.6)	(17.4%)
Total non-current assets	**23,216.0**	**23,958.9**	**(742.9)**	**(3.1%)**
Current programming assets	243.6	192.0	51.6	26.9%
Inventories	295.6	278.7	16.9	6.1%
Trade and other receivables	1,758.5	1,688.0	70.5	4.2%
Income tax receivables	25.3	29.1	(3.8)	(13.1%)
Current deferred distribution fees	203.5	207.2	(3.7)	(1.8%)
Other current assets	61.7	38.7	23.0	59.4%
includes derivative instruments assets	*6.4*	*6.7*	*(0.3)*	*(4.5%)*
Cash and cash equivalents	1,080.2	1,326.0	(245.8)	(18.5%)
Restricted cash	8.2	10.7	(2.5)	(23.4%)
Total current assets	**3,676.6**	**3,770.4**	**(93.8)**	**(2.5%)**
Total assets	**26,892.6**	**27,729.3**	**(836.7)**	**(3.0%)**

As at September 30, 2017 and December 31, 2016, our non-current assets amounted to PLN 23,216.0 million and PLN 23,958.9 million, respectively, and accounted for 86.3% and 86.4% of total assets, respectively.

As at September 30, 2017 and December 31, 2016, our current assets amounted to PLN 3,676.6 million and PLN 3,770.4 million, respectively, and accounted for 13.7% and 13.6% of total assets, respectively.

Change in assets [mPLN]



The value of reception equipment amounted to PLN 324.0 million as at September 30, 2017 and decreased by PLN 26.9 million, or 7.7%, compared to PLN 350.9 million as at December 31, 2016.

The value of other property, plant and equipment decreased by PLN 97.9 million, or 3.3%, to PLN 2,866.4 million as at September 30, 2017 from PLN 2,964.3 million as at December 31, 2016, mainly due to the recognition of amortization of the technical infrastructure and telecommunications network equipment for nine-month period of 2017, which was partially compensated by capital spending on the roll-out of our telecommunications network and updates of our IT systems.

The value of goodwill amounted to PLN 10,975.4 million as at September 30, 2017 and remained at an unchanged level compared to the balance as at December 31, 2016.

The value of customer relationships decreased by PLN 370.7 million, or 12.2%, to PLN 2,660.5 million as at September 30, 2017 compared to PLN 3,031.2 million as at December 31, 2016, among others due to calculated amortization for the 9-month period ended September 30, 2017. We point out that the amortization period of certain intangible assets comprised in this item ended in the second quarter of 2017.

As at September 30, 2017, the value of brands was PLN 2,038.4 million, which constitutes a decrease by PLN 18.1 million, or 0.9%, compared to PLN 2,056.5 million as at December 31, 2016, due to recognition of the depreciation of the Plus trademark for the 9-month period ended September 30, 2017.

The value of other intangible assets amounted to PLN 3,343.6 million as at September 30, 2017 which constitutes a decrease by PLN 312.6 million, or 8.5%, compared to PLN 3,656.2 million as at December 31, 2016. The main reason behind this decrease is the recognition of depreciation of telecommunication licenses owned by the Group.

The value of non-current and current programming assets increased by PLN 80.3 million, or 23.4%, to PLN 424.1 million as at September 30, 2017, from PLN 343.8 million as at December 31, 2016. This increase was primarily the effect of the recognition of a higher value of sport rights and licenses.

Investment property amounted to PLN 5.1 million as at September 30, 2017 and remained at an unchanged level compared to the balance as at December 31, 2016.

The value of non-current and current deferred distribution fees amounted to PLN 289.3 million as at September 30, 2017 and remained at a practically unchanged level compared to PLN 290.0 million as at December 31, 2016.

The value of other non-current assets amounted to PLN 544.2 million as at September 30, 2017 and increased by PLN 92.2 million, or 20.4%, compared to PLN 452.0 million as at December 31, 2016, primarily as a result of an increase of receivables from installment plan sales of equipment.

The value of deferred tax assets amounted to PLN 192.1 million as at September 30, 2017, which constitutes a decrease by PLN 40.6 million, or 17.4%, compared to PLN 232.7 million as at December 31, 2016.

The value of inventories amounted to PLN 295.6 million as at September 30, 2017 and increased by PLN 16.9 million, or 6.1%, from PLN 278.7 million as at December 31, 2016, among other factors due to the increase in the value of purchased smartphones, which is connected with the change in our inventory portfolio following increased demand of our customers for more advanced and expensive devices.

The value of trade and other receivables increased by PLN 70.5 million, or 4.2%, to PLN 1,758.5 million as at September 30, 2017 from PLN 1,688.0 million as at December 31, 2016, primarily due to higher receivables from installment plan sales of equipment to residential customers.

The value of income tax receivables amounted to PLN 25.3 million as at September 30, 2017 and decreased by PLN 3.8 million, or 13.1%, from PLN 29.1 million as at December 31, 2016.

The value of other current assets amounted to PLN 61.7 million as at September 30, 2017, which constitutes an increase by PLN 23.0 million, or 59.4%, compared to PLN 38.7 million as at December 31, 2016, mainly as a result of an increase in the value of other prepayments and accruals.

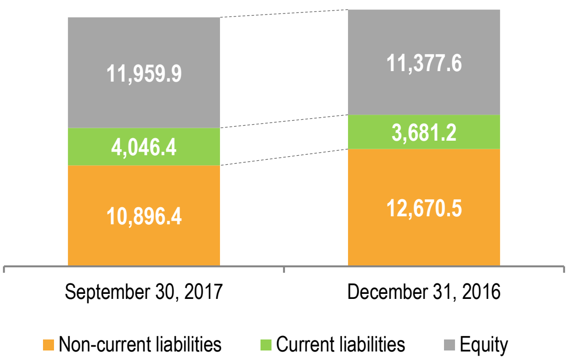
The value of cash and cash equivalents and restricted cash decreased by PLN 248.3 million, or 18.6%, to PLN 1,088.4 million as at September 30, 2017 from PLN 1,336.7 million as at December 31, 2016, i.a. as a result of successive repayments of our indebtedness and the payment of dividend from profit generated in 2016.

Equity and liabilities

[mPLN]	September 30, 2017	December 31, 2016	change	
			[mPLN]	%
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	3.5	4.5	(1.0)	(22.2%)
Retained earnings	4,704.3	4,095.5	608.8	14.9%
Equity attributable to equity holders of the Parent	**11,907.4**	**11,299.6**	**607.8**	**5.4%**
Non-controlling interests	52.5	78.0	(25.5)	(32.7%)
Total equity	**11,959.9**	**11,377.6**	**582.3**	**5.1%**
Loans and borrowings	8,561.9	9,302.7	(740.8)	(8.0%)
Issued bonds	965.2	1,835.7	(870.5)	(47.4%)
Finance lease liabilities	19.4	20.9	(1.5)	(7.2%)
UMTS license liabilities	452.4	574.0	(121.6)	(21.2%)
Deferred tax liabilities	771.8	786.9	(15.1)	(1.9%)
Deferred income	3.4	20.1	(16.7)	(83.1%)
Other non-current liabilities and provisions	122.2	130.2	(8.0)	(6.1%)
includes derivative instruments liabilities	*1.3*	-	*1.3*	*100.0%*
Total non-current liabilities	**10,896.3**	**12,670.5**	**(1,774.2)**	**(14.0%)**
Loans and borrowings	1,824.8	1,270.0	554.8	43.7%
Issued bonds	42.1	42.4	(0.3)	(0.7%)
Finance lease liabilities	7.0	5.0	2.0	40.0%
UMTS license liabilities	117.6	121.5	(3.9)	(3.2%)
Trade and other payables	1,397.9	1,569.5	(171.6)	(10.9%)
includes derivative instruments liabilities	*0.5*	-	*0.5*	*100.0%*
Income tax liability	17.5	24.9	(7.4)	(29.7%)
Deferred income	629.5	647.9	(18.4)	(2.8%)
Total current liabilities	**4,036.4**	**3,681.2**	**355.2**	**9.6%**
Total liabilities	**14,932.7**	**16,351.7**	**(1,419.0)**	**(8.7%)**
Total equity and liabilities	**26,892.6**	**27,729.3**	**(836.7)**	**(3.0%)**

Equity increased by PLN 582.3 million, or by 5.1%, to PLN 11,959.9 million as at September 30, 2017 from PLN 11,377.6 million as at December 31, 2016, primarily as a result of the recognition of profit generated in three quarters of 2017, in the amount of PLN 788.0 million reduced by the value of dividend distributed in the third quarter of 2017 in the amount of PLN 204.7 million.

Change in liabilities [mPLN]



As at September 30, 2017 and December 31, 2016 the value of our non-current liabilities amounted to PLN 10,896.3 million and PLN 12,670.5 million, which constituted 73.0% and 77.5% of the Group's total liabilities, respectively.

As at September 30, 2017 and December 31, 2016 the value of our current liabilities amounted to PLN 4,036.4 million and PLN 3,681.2 million, which constituted 27.0% and 22.5% of the Group's total liabilities, respectively.

Loans and borrowings (long and short-term) decreased by PLN 186.0 million, or 1.8%, to PLN 10,386.7 million as at September 30, 2017 from PLN 10,572.7 million, which was the net effect of drawing PLN 500.0 million (net, accounting for repayments) under the Revolving Facility Loan and repayment of the capital of the Combined SFA according to schedule in the total amount of PLN 702 million in three quarters of 2017.

Senior Notes liabilities (long and short-term) decreased by PLN 870.8 million or by 46.4%, to PLN 1,007.3 million as at September 30, 2017 from PLN 1,878.1 million as at December 31, 2016 following the early redemption of the all the Litenite Notes on April 26, 2017.

Finance lease liabilities (long- and short-term) amounted to PLN 26.4 million as at September 30, 2017 and remained at a practically unchanged level compared to PLN 25.9 million as at December 31, 2016.

UMTS license liabilities (long- and short-term) decreased by PLN 125.5 million, or 18.0%, to PLN 570.0 million as at September 30, 2017 from PLN 695.5 million as at December 31, 2016, due to the subsequent payment for the UMTS license executed in September 2017.

Deferred income tax liabilities decreased by PLN 15.1 million, or 1.9%, to PLN 771.8 million as at September 30, 2017 from PLN 786.9 million as at December 31, 2016.

Non-current and current deferred income amounted to PLN 632.9 million as at September 30, 2017, and decreased by PLN 35.1 million, or 5.3%, from PLN 668.0 million as at December 31, 2016, due, among other things, to the recognition of lower deferred income in the area of prepaid services, which is related to the shrinking of the market following the entry into force of the provisions of the Anti-terrorist Act of July 10, 2016, enforcing mandatory registration of prepaid SIM cards.

The value of other non-current liabilities and provisions amounted to PLN 122.2 million as at September 30, 2017 and decreased by PLN 8.0 million, or 6.1%, compared to PLN 130.2 million as at December 31, 2016.

The value of trade and other payables amounted to PLN 1,397.9 million as at September 30, 2017 which constitutes a decrease by PLN 171.6 million, or 10.9%, compared to PLN 1,569.5 million as at December 31, 2016. This decrease was driven, among other factors, by a lower balance of liabilities connected with the execution and settlements of projects in the area of modernization and capacity-building of our telecommunications network and a lower balance of accruals, in particular with respect to salaries and license payment, as well as a lower balance of accruals.

Income tax liabilities amounted to PLN 17.5 million as at September 30, 2017 and decreased by PLN 7.4 million, or 29.7%, from PLN 24.9 million as at December 31, 2016.

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the nine-month periods ended September 30, 2017 and 2016.

[mPLN]	for 9 months ended September 30		change	
	2017	2016[1]	mPLN	%
Net profit	788.0	679.2	108.8	16.0%
Net cash from operating activities	2,087.7	2,140.9	(53.2)	(2.5%)
Net cash used in investing activities	(657.2)	(1,138.8)	481.6	(42.3%)
Capital expenditures	*(556.2)*	*(395.8)*	*(160.4)*	*40.5%*
Net cash used in financing activities	(1,676.0)	(1,413.5)	(262.5)	18.6%
Cash and cash equivalents at the beginning of the period	1,336.7	1,523.7	(187.0)	(12.3%)
Cash and cash equivalents at the end of the period	**1,088.4**	**1,110.2**	**(21.8)**	**(2.0%)**

1) Consolidation of the results of Aero2 Group from February 29, 2016.

Net cash from operating activities

Net cash from operating activities amounted to PLN 2,087.7 million in three quarters of 2017 and decreased by PLN 53.2 million, or 2.5%, compared to net cash from operating activities in the amount of PLN 2,140.9 million in the corresponding period of 2016.

The lower stream of cash from operating activities generated in three quarters of 2017 as compared to the corresponding period of 2016 was the result of a stable level of EBITDA and the concurrent reduction by higher payments for film and sport licenses, as well as a higher value of working capital, which was associated primarily with an increase in receivables from installment plan sales of equipment to residential customers. The decline in the stream of cash from operating activities was partially compensated by a lower value of income tax paid in three quarters of 2017 as compared to the corresponding period of 2016.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 657.2 million in three quarters of 2017 which constitutes a decrease by PLN 481.6 million, or 42.3%, from PLN 1,138.8 million in the corresponding period of 2016. The dynamics of this change was primarily driven by the recognition in the comparative period of the acquisition of shares in Litenite, and the payment for frequency reservations in the 2600 MHz bandwidth, while in the first nine months of 2017 the Group incurred mainly standard capital expenditures.

In three quarters of 2017, capital expenditures on the purchase of property, plant and equipment and intangible assets amounted to PLN 556.2 million, which constitutes an increase by PLN 160.4 million, or 40.5%, compared to PLN 395.8 million in the corresponding period of 2016. Capex expenditures comprised, among others, the continuation of the roll-out and development of the capacity of the telecommunications network based on LTE and LTE-Advanced technologies, expenditures related to the preparation for the process of refarming the 900 MHz band, the development of functionalities of the telecommunications network (including the propagation of the HD Voice service), as well as expenditures related to the upgrade and exchange of the IT environment within the Group.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 1,676.0 million in three quarters of 2017, which constitutes an increase by PLN 262.5 million, or 18.6% compared to PLN 1,413.5 million in the corresponding period of 2016. The amount of cash used in financing activities in three quarters of 2017 was affected primarily by current repayments according to schedule and servicing of the Combined SFA, the payment of two semi-annual coupons on the Series A Notes, the drawing of PLN 500.0 million (net, including repayments) under the Revolving Facility Loan, the early redemption of the Litenite Notes and the associated premium, as well as the payment of dividend to shareholders from profit generated in 2016. The amount of cash used in financing activities in the three quarters of 2016 was affected primarily by the refinancing of the PLK Senior Notes and the associated premium paid for early redemption, as well as the repayment of bank loans and bonds issued by the company Midas (currently Aero2).

4.3.5. Liquidity and capital resources

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

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

The table below presents a summary of the indebtedness of the Group as at September 30, 2017.

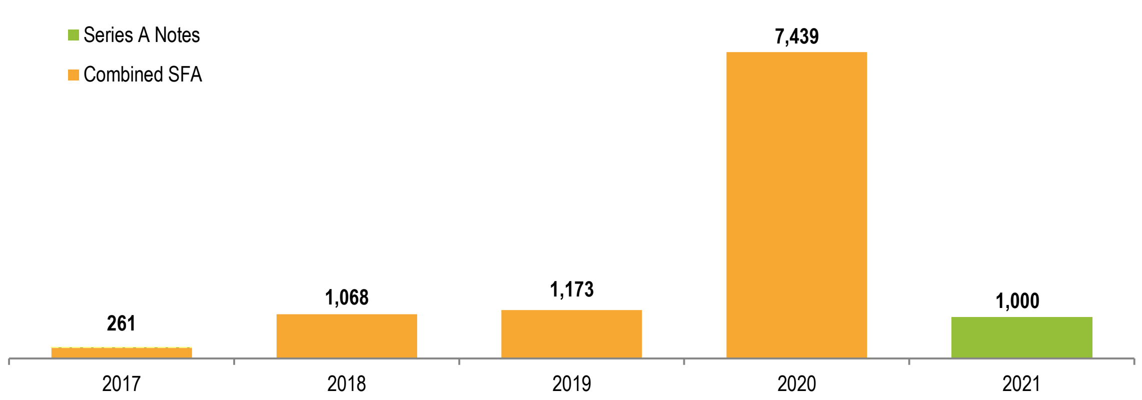
	Balance value as at September 30, 2017 [mPLN]	Coupon / interest	Maturity date
Combined SFA, incl.	10,386.7	WIBOR + margin	2020
Revolving Facility Loan	*500.0*	*WIBOR + margin*	
Series A Notes	1,007.3	WIBOR + 2.5%	2021
Leasing and other	26.4	-	-
Gross debt	**11,420.4**	-	-
Cash and cash equivalents[1]	(1,088.4)	-	-
Net debt	**10,332.0**	-	-
EBITDA LTM	3,646.6	-	-
Total net debt / EBITDA LTM	**2.83**	**-**	**-**
Weighted average interest cost[2]	3.4%		

1) This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
2) Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments, as at September 30, 2017 assuming WIBOR 1M of 1.66% and WIBOR 6M of 1.81%.

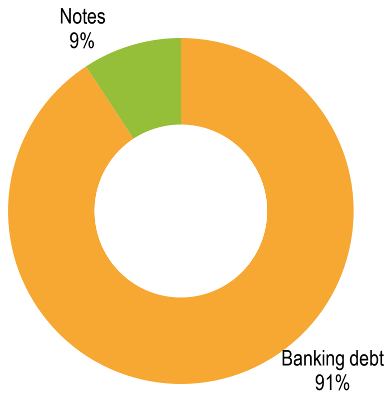
On April 26, 2017, we have concluded the early redemption of the Litenite Notes for the total amount of PLN 886.7 million, increased by the premium for early redemption in the amount of PLN 58.7 million. In connection with the above, we have drawn a total of PLN 600.0 million under the Revolving Facility Loan on April 24, 2017, of which we have repaid PLN 100.0 million by June 30, 2017 and another PLN 100.0 million in October 2017 (not included in the table above).

The graphs below present the aging balance of the Group's debt and its currency composition, expressed in nominal values and excluding the indebtedness under the revolving facility loans and leasing, as at the balance date, i.e. September 30, 2017.

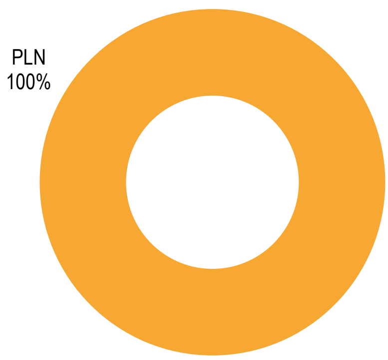
Debt maturing profile as at September 30, 2017 [mPLN]



Debt structure by instrument type as at September 30, 2017



Debt structure by currency as at September 30, 2017



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, as well as a brief description of those agreements, which have expired on the period from January 1, 2017 until the date of approval of this Report due to the repayment of debt granted on their basis.

Combined Senior Facilities Agreement

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

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

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

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

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

The Term Facility and the Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the Term Facility and the Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1, whereby the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the Combined SFA, excludes debt instruments in which interest is not paid in cash on a current basis. The final repayment date for the Term Facility and the Revolving Facility is September 21, 2020. The Term Facility is being repaid in quarterly installments of variable value according to an established schedule. Up until one month prior to the final repayment date of the Term Facility, Group companies which have joined the Combined SFA as borrowers can use the Revolving Facility in the amount of up to PLN 1,000.0 million.

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

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

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

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

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

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

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

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

Series A Bonds issued by Cyfrowy Polsat

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

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

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

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

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

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

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

(i) if the early redemption occurs between July 21, 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.

Litenite Notes

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

On April 26, 2017 Litenite executed the early redemption of the Litenite Notes according to the value determined in the terms of issuance of the Litenite Notes at the total level of PLN 886,703,685.12 increased by a premium for early redemption in the amount of PLN 58,658,296.32.

Contractual obligations

Contractual commitments to purchase programming assets

As at September 30, 2017 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	September 30, 2017 (unaudited)	December 31, 2016
within one year	253.3	139.4
between 1 to 5 years	521.2	83.3
more than 5 years	20.0	20.0
Total	**794.5**	**242.7**

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

[mPLN]	September 30, 2017 (unaudited)	December 31, 2016
within one year	2.1	14.6
Total	**2.1**	**14.6**

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 127.1 million as at September 30, 2017 (PLN 118.3 million as at December 31, 2016). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at September 30, 2017 was PLN 185.6 million (PLN 115.3 million as at December 31, 2016).

Ratings

The table below presents a summary of ratings assigned to Polsat Group as at the date of publication 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+ / positive	BB+ / stable	18.04.2017

On April 18, 2017 S&P Global Ratings (formerly Standard&Poor’s Rating Services) (“S&P”) revised the rating outlook for Polsat Group to positive from stable, affirming the BB+ corporate credit rating.

In its justification S&P stated that the upward revision of the rating outlook reflects in particular the Group’s resilient performance and solid deleveraging capacity in 2017-2018, which has been demonstrated by the early redemption of the Litenite Notes on April 26.

S&P anticipates that thanks to its strong position on the telecommunication and pay TV markets the Group will demonstrate stable operating results over the next two years, which in turn will translate into a high, stable level of EBITDA. Concurrently, with capex needs not exceeding 10% of revenue and declining interest costs as a result of deleveraging, the Group will generate solid free cash flows, which S&P estimates at PLN 1.6 billion annually. S&P assumes that consistent deleveraging will remain the Group’s priority, while dividend payouts will remain moderate.

S&P may raise the rating of the Group to BBB- over the next 12 months, if the Group continues to demonstrate resilient operating performance with at least stable EBITDA, while using free cash flow for further deleveraging. On the other hand, a downward revision of the outlook from positive to stable could be associated with weaker operating performance, as a result of fiercer-than-currently-anticipated competition, which would lead to slower deleveraging of 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.

Moody's sees the possibility of upgrading the Group's ratings were it to achieve targets set by Moody's for specific ratios. Negative pressure could be exerted on the Group's ratings as a result of a material weakening of its operating performance or its liquidity, or an increase in its debt levels.

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., Paszport Korzyści Sp. z o.o. (currently Plus Flota Sp. z o.o.) and Aero2, governed by Polish law;

(ii) financial and registered pledges on shares in Cyfrowy Polsat Trade Marks Sp. z o.o. (with an aggregate nominal value of PLN 615,445,000), Telewizja Polsat (with an aggregate nominal value of PLN 236,946,700), Polkomtel (with a total nominal value of PLN 3,525,300,000) and in Plus TM Management Sp. z o.o. (with a total nominal value of PLN 2,106,000), and Aero2 (with a total nominal value of PLN 260,000,000), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said companies; the pledged shares represent 100% of the share capital of each company and are held by the Company as a long-term capital investment;

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

(iv) powers of attorney to bank accounts of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Eileme 1, Eileme 2, Eileme 3, Eileme 4, 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., PL2014 Sp. z o.o., Paszport Korzyści Sp. z o.o. (currently Plus Flota Sp. z o.o.) and Aero2, governed by Polish law;

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

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

(vii) 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;

(viii) 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;

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

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

(xi) 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;

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

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

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

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

(xvi) pledge on all shares in Litenite, governed by Cypriot law;

(xvii) 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;

(xviii) 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;

(xix) charges over accounts of the Company, governed by Cypriot law;

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

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

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

(xxiii) 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. and Aero2 on the submission to enforcement on the basis of a notarial deed, governed by Polish law; and

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

5. OTHER SIGNIFICANT INFORMATION

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

Transactions concluded in the nine-month period ended September 30, 2017 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 18 of the interim condensed consolidated financial statements for the nine months ended September 30, 2017.

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

Cyfrowy Polsat had not published any financial forecasts.

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

The Management of Cyfrowy Polsat believes that the provisions for litigations as at September 30, 2017 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer

On February 24, 2011 the President of UOKiK imposed 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 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. The Company is currently analyzing 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 15, 2014, Polkomtel received a claim from Orange for the total amount of PLN 21.0 million related to 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 May 12, 2017 Polkomtel made a payment in the amount of PLN 9.0 million. Polkomtel filed cassation appeal. In the management's opinion the claim is groundless.

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 verdict is nonbinding.

Legal disputes in respect of telecommunication frequencies

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. (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. In its ruling dated May 8, 2014 the Supreme Administrative Court (NSA) 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 7, 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. (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 7, 2017 concerning the annulment of the tender procedure. The decision issued does not affect reservation decisions issued following the 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. Accordingly, no valuation adjustment has been made in the consolidated financial statements, constituting part of this Report, that might have been necessary should the dispute's outcome be unfavorable for the entity.

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 December 31, 2016 remained unchanged.

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 Eurostat data, a noticeable recovery of economies both of Poland and other EU countries took place in 2015 and 2016. GDP growth for Poland in 2015 and 2016 was 3.9% and 2.8%, respectively. 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 will be sustained in 2017 and 2018 and that it will continue to significantly outperform corresponding indices for the whole European Union.

We believe that average consumer spending, including spending on pay TV, mobile telephony, Internet access, bundled services and end-user devices generally will grow in line with the overall GDP growth in Poland, and will support our future revenue growth. We expect that the positive growth dynamics of GDP in the years 2017-2018 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 market) impact promotional offerings to our new customers. In addition, due to high competition, we continuously invest in customer retention programs and loyalty building.

We believe that our programming packages offer the best value-for-money on the Polish pay TV market at present. 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 relatively low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still at an early stage of development in Poland as compared to Western European countries and in our opinion has significant growth prospects. 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 along with the ON THE GO option, 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 air-time is highly correlated with the macro-economic situation. In the past, given the increasing GDP of Poland, the TV advertising market was characterized a regular single-digit (in percentage terms) growth rate. Assuming further positive GDP growth dynamics in the years 2017-2018, we believe that growth of the Polish advertising market can be expected.

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 a substantial growth potential for TV advertising in Poland in the long term. What is more, the expected high rate of economic growth in 2017-2018 should have a positive influence on the level of advertising expenditure in Poland. It is worth noticing, that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime, primarily thanks to new technical opportunities, which include an increasing number of HD channels and VOD, as well as thanks to a growing number of smart-TVs.

The Internet advertising market is characterized by dynamic growth. According to the IAB AdEx report, online advertising expenditures increased at a rate of 14.0% y-o-y and reached the value of over PLN 3.6 billion in 2016. The growth dynamics of this form of advertising is influenced to a significant extent by expenditures on the video advertising segment, in which we generate our revenue. In 2016 those expenditures increased by 20% and represented 10% of the total expenditures on online advertising. According to PwC forecasts *(Global entertainment and media outlook: 2016-2020)* the online video advertising in Poland will grow by 15.1% (CAGR) in the years 2015-2020. We believe that thanks to one of the leading positions on the online video market (through IPLA internet television and the Cyfrowy Polsat GO service) we may benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

With the high penetration of the Polish market by pay TV, that provides viewers with 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 2016 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 41.1%, while in 2015 it was equal to 41.7%.

What is more, Starcom data suggests that the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience share and advertising market share, we focus on developing our thematic channels portfolio and increasing the attractiveness of the content offered to our viewers.

Fixed-mobile substitution and growth of investments in state-of-the-art fixed broadband networks (NGA)

Substituting fixed services with their mobile counterparts is the universal trend on the telecommunication market. The number of fixed lines and revenues generated by fixed line operators has been gradually decreasing along with the growing penetration of mobile services. This phenomenon, visible in the voice services segment for many years, is recently also noticeable in the area of mobile broadband access.

In Poland, fixed-mobile substitution had a larger scale than in most EU countries. Based on UKE data, in 2016 the volume of voice traffic in fixed-line networks amounted to 8 billion minutes and was already over 12 times lower than the volume of voice traffic in mobile networks (ca. 97.3 billion minutes). At the same time, the availability of fixed-line broadband is currently still limited mainly to urban areas. High-quality fixed-line broadband services are offered only to a limited extent outside urban areas, which is due to historical underinvestment resulting from the high cost of build-out of local loops (the so called “last mile”).

In response to the pressure from rapidly developing mobile technologies fixed-line operators are currently increasing investments in the modernization and roll-out of networks based on state-of-the-art fixed technologies (NGA – Next Generation Access), including optical fiber (FTTx) and cable (ex. DOCSIS 3.0) technologies. On areas, where low profitability of investment projects financed from own funds would constitute a significant barrier to entry, selected operators can rely on European funding allocated under the Operational Programme Digital Poland. In particular, in 2017 a contest to co-fund 58 areas selected from 76 covering the whole country was concluded. Under this contest procedure, entities investing in the selected areas can count of co-funding in the total amount of PLN 2 billion in the years 2018-2020.

In our opinion, the high preference of Poles for mobile technologies combined with the systematically improving quality of mobile data transmission as a result of the development of the LTE/LTE Advanced technologies, and in the future also 5G, create an opportunity for continued growth of the mobile broadband market in Poland over the next years. At the same time, large scale investments in the modernization and roll-out of NGA networks will lead to the successive stabilization of the fixed-line market and, in a longer time horizon, may contribute to return of growth of the fixed broadband market.

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 only about 68% constitute smartphones. This disproportion shows that the saturation of our mobile services customer base with smartphones will grow consistently in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. According to estimates presented in the Ericsson Mobility Report dated June 2017, the volume of transmitted data in the Central and Eastern Europe region, to which Poland belongs, will grow at an average annual rate of 33% over the next 6 years (CAGR 2016-2022).

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.

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, 2016, TV Polsat Group generated approximately 21.0% of advertising revenue in the first quarter, 28.0% in the second quarter, 20.3% in the third quarter and 30.7% 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 any seasonal trend.

5.4.2. Factors related to the operations of the Group

Growing importance of bundled services

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

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. The possibility to sell 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 client and contributes to increasing the loyalty of customers, who use our bundled services.

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

Proper 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 the average revenue per customer (ARPU), concurrently reducing the churn ratio.

Investments in network roll-out and spectrum refarming

In the first three quarters of 2017 residential customers of Cyfrowy Polsat and Polkomtel transferred 525 PB of data, that is 49% more than in the corresponding period of 2016. Striving to maintain the high quality of services that we provide, we continue to invest in our telecommunication network roll-out. In particular, upon having reached a 99% population coverage level for our LTE network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of LTE-Advanced.

Investments in the development of our LTE network are mainly conducted using own spectrum in 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz frequency bands. As at the end of the third quarter of 2017 we had close to 9.8 thousand active LTE transmitters.

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 consists in the refarming of the 900 MHz and 2100 MHz spectrum, which will result in the allocation of part of the bandwidth currently used for 2G and 3G services to LTE and LTE-Advanced technologies. We are involved in intensive work aimed at completing the refarming process before the end of 2018. We have already released the 900 MHz bandwidth, used so far in 2G technology, on the entire territory of Poland, and currently preparing for the migration of services provided in new and definitely more effective technologies to this frequency.

In the third quarter of 2017 we launched LTE Plus Advanced services in the city of Białystok using state-of-the-art technological solutions based on the aggregation of frequencies in the 1800 MHz, 2100 MHz and 2600 MHz bands with a total bandwidth of 50 MHz. Thanks to the application of additional solutions (QAM 256 modulation and MIMO 4x4) the maximum download speed in LTE Plus Advanced increased to 498 MB/s in this area.

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, 1800 MHz and 2600 MHz badniwidths in successive cities, which – combined with the application of the 256 QAM modulation – allows us to offer our customers increasingly higher service quality.

We trust that continuous investments in telecommunication network roll-out will enable us to maintain our competitive edge in the form of the possibility of providing top quality data transmission services without having to incur excessively high cost of purchase or extension of spectrum permits.

Development of IPLA

IPLA, 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 June 2017, in 2016 video already generated half of total traffic and the average annual growth rate (CAGR) in the years 2016-2022 is estimated at 50%. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future.

Attractive content of our TV channels

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

We also offer a wide selection of sports transmissions, including UEFA EURO 2020 qualifying stages, FIFA World Championships 2022, UEFA Champions League and Europa League 2018-2021, as well as attractive games and big volleyball tournaments –the Volleyball World League, Volleyball World Grand Prix, and the Volleyball Champions League – Men and Women, Plus Liga and Orlen Liga; boxing and mixed martial arts galas, Wimbledon and ATP 1000 and 500 tournaments, and many others. We believe that attractive content, including such content that is not available in the offer of other pay TV operators is a significant competitive advantage over other pay TV operators in Poland.

5.4.3. Factors related to the regulatory environment

International roaming in mobile networks

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

Pursuant to the Resolution of the European Parliament and Council of November 25, 2015, as of June 15, 2017 retail charges for regulated roaming services were levelled with domestic charges starting (the *Roam Like at Home* regulation). The majority of price 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 has and will continue to have in the subsequent periods a significant impact on the reduction of the stream of telecommunication retail revenue of all operators who have fully implemented this regulation, including Polsat Group. Polsat Group estimates that the loss of its retail revenue may exceed the amount of PLN 100.0 million in a 12 month perspective, with a concurrent hike in the growth of the volume of traffic generated by the Company's customers abroad.

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. For example, in the third quarter of 2017 our costs of wholesale purchase of roaming traffic increased by PLN 41 million YoY, while concurrently our revenue from these services declined by PLN 21 million. Polsat Group is actively renegotiating is wholesale agreements with the view of reducing costs related to the purchase of roaming traffic, which can potentially lower 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 ten operators, including Polkomtel and P4, Play mobile network operator, have filed an application with the President of UKE asking for consent to apply surcharges, while others, including Orange Polska, are planning to do so in the near future.

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 suspending the provision of roaming services, if such services are used by individual customers in an unlawful or abusive manner. Recently, some domestic operators have been signaling, that they are actively preparing to implement the FUP in the near future.

Roll-out of competing LTE networks

As a result of the termination 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 to provide high quality services in LTE based on the 800 MHz frequencies. Our competitors are currently 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 the foreseeable future. In December 2016 T-Mobile Polska and Orange Polska signed an agreement, pursuant to which they will develop their own LTE networks using jointly the network of transmitters of the joint venture NetWorks!, however, they will not share radio resources from the 800 MHz bandwidth.

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.

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.

Tobias Solorz
President of the Management Board

Katarzyna Ostap-Tomann
Member of the Management Board

Dariusz Działkowski
Member of the Management Board

Tomasz Gillner-Gorywoda
Member of the Management Board

Aneta Jaskólska
Member of the Management Board

Agnieszka Odorowicz
Member of the Management Board

Maciej Stec
Member of the Management Board

Warsaw, November 8, 2017

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 - Sferia and Altalog.
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.
Combined SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015.
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of September 21, 2020.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of September 21, 2020.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
Cyfrowy Polsat Trade Marks, CPTM	Cyfrowy Polsat Trade Marks spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000373011.
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.
Eileme 2	Eileme 2 AB (publ), a company under Swedish law, registered under No. 556854-5676.
Eileme 3	Eileme 3 AB (publ), a company under Swedish law, registered under No. 556854-5692.
Eileme 4	Eileme 4 AB (publ), a company under Swedish law, registered under No. 556854-5684.
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.

Term	Definition
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
Litenite	Litenite Limited, a company under Cypriot law, registered under No. 240249.
Litenite Notes	Zero-coupon unsecured loan notes 2022 with the total nominal value of PLN 1,524.4 million and the issue price of PLN 782.0 million issued pursuant to the resolution of the management board of Litenite of December 31, 2015. 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.
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 21, 2020.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PLK Senior Notes	Unsubordinated senior notes with a total nominal 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 21, 2020.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 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.

Term	Definition
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.
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).
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.

Term	Definition
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue).
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer, contract customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
DVR	Set-top boxes equipped with a hard drive enabling the recording of TV programs (Digital Video Recorder).
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).
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
IVR	A telecommunications system enabling human-computer interaction using voice or tone signals (Interactive Voice Response).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mb/s (downlink, using MIMO 2x2 antennas).

Term	Definition
LTE-Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gb/s (downlink, using MIMO 4x4 antennas).
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
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 two television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
Node B	A device for wireless connection between a mobile terminal and a fixed part of the third-generation telecommunications network.
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.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
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.

Term	Definition
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services.
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 9 months ended 30 September 2017

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 8 November 2017, 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 2017 to 30 September 2017 showing a net profit for the period of:	PLN 788.0
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2017 to 30 September 2017 showing a total comprehensive income for the period of:	PLN 787.0
Interim Consolidated Balance Sheet as at 30 September 2017 showing total assets and total equity and liabilities of:	PLN 26,892.6
Interim Consolidated Cash Flow Statement for the period from 1 January 2017 to 30 September 2017 showing a net decrease in cash and cash equivalents amounting to:	PLN 245.5
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2017 to 30 September 2017 showing an increase in equity of:	PLN 582.3

Notes to the Interim Condensed Consolidated Financial Statements

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

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

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

Warsaw, 8 November 2017

(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 30 September 2017 unaudited	for the 3 months ended 30 September 2016 unaudited	for the 9 months ended 30 September 2017 unaudited	for the 9 months ended 30 September 2016 unaudited
Continuing operations					
Revenue	8	2,390.9	2,387.8	7,249.4	7,194.7
Operating costs	9	(1,975.7)	(1,938.7)	(5,876.7)	(5,928.7)
Other operating income, net		6.7	-	23.4	13.4
Profit from operating activities		**421.9**	**449.1**	**1,396.1**	**1,279.4**
Gain/loss on investment activities, net	10	(28.0)	13.1	(11.9)	(43.5)
Finance costs	11	(104.8)	(127.3)	(403.6)	(443.2)
Gross profit for the period		**289.1**	**334.9**	**980.6**	**792.7**
Income tax		(54.2)	(65.1)	(192.6)	(113.5)
Net profit for the period		**234.9**	**269.8**	**788.0**	**679.2**
Net profit attributable to equity holders of the Parent		242.9	278.2	813.5	691.4
Net loss attributable to non-controlling interest		(8.0)	(8.4)	(25.5)	(12.2)
Basic and diluted earnings per share (in PLN)		**0.37**	**0.42**	**1.23**	**1.06**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 30 September 2017 unaudited	for the 3 months ended 30 September 2016 unaudited	for the 9 months ended 30 September 2017 unaudited	for the 9 months ended 30 September 2016 unaudited
Net profit for the period		**234.9**	**269.8**	**788.0**	**679.2**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	13	(0.1)	2.6	(1.2)	7.3
Income tax relating to hedge valuation	13	0.0	(0.5)	0.2	(1.4)
Items that may be reclassified subsequently to profit or loss		**(0.1)**	**2.1**	**(1.0)**	**5.9**
Other comprehensive income/(loss), net of tax		**(0.1)**	**2.1**	**(1.0)**	**5.9**
Total comprehensive income for the period		**234.8**	**271.9**	**787.0**	**685.1**
Total comprehensive income attributable to equity holders of the Parent		242.8	280.3	812.5	697.3
Total comprehensive loss attributable to non-controlling interest		(8.0)	(8.4)	(25.5)	(12.2)

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Interim Consolidated Balance Sheet - Assets

	30 September 2017 unaudited	31 December 2016
Reception equipment	324.0	350.9
Other property, plant and equipment	2,866.4	2,964.3
Goodwill	10,975.4	10,975.4
Customer relationships	2,660.5	3,031.2
Brands	2,038.4	2,056.5
Other intangible assets	3,343.6	3,656.2
Non-current programming assets	180.5	151.8
Investment property	5.1	5.1
Non-current deferred distribution fees	85.8	82.8
Other non-current assets	544.2	452.0
includes derivative instruments assets	*2.5*	*9.5*
Deferred tax assets	192.1	232.7
Total non-current assets	**23,216.0**	**23,958.9**
Current programming assets	243.6	192.0
Inventories	295.6	278.7
Trade and other receivables	1,758.5	1,688.0
Income tax receivable	25.3	29.1
Current deferred distribution fees	203.5	207.2
Other current assets	61.7	38.7
includes derivative instruments assets	*6.4*	*6.7*
Cash and cash equivalents	1,080.2	1,326.0
Restricted cash	8.2	10.7
Total current assets	**3,676.6**	**3,770.4**
Total assets	**26,892.6**	**27,729.3**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 September 2017 unaudited	31 December 2016
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Other reserves		3.5	4.5
Retained earnings		4,704.3	4,095.5
Equity attributable to equity holders of the Parent		**11,907.4**	**11,299.6**
Non-controlling interests		**52.5**	**78.0**
Total equity		**11,959.9**	**11,377.6**
Loans and borrowings	14	8,561.9	9,302.7
Issued bonds	15	965.2	1,835.7
Finance lease liabilities		19.4	20.9
UMTS license liabilities		452.4	574.0
Deferred tax liabilities		771.8	786.9
Deferred income		3.4	20.1
Other non-current liabilities and provisions		122.2	130.2
includes derivative instruments liabilities		*1.3*	-
Total non-current liabilities		**10,896.3**	**12,670.5**
Loans and borrowings	14	1,824.8	1,270.0
Issued bonds	15	42.1	42.4
Finance lease liabilities		7.0	5.0
UMTS license liabilities		117.6	121.5
Trade and other payables		1,397.9	1,569.5
includes derivative instruments liabilities		*0.5*	-
Income tax liability		17.5	24.9
Deferred income		629.5	647.9
Total current liabilities		**4,036.4**	**3,681.2**
Total liabilities		**14,932.7**	**16,351.7**
Total equity and liabilities		**26,892.6**	**27,729.3**

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

Interim Consolidated Cash Flow Statement

	Note	for the 9 months ended 30 September 2017 unaudited	30 September 2016 unaudited
Net profit		**788.0**	**679.2**
Adjustments for:		**1,457.7**	**1,678.3**
Depreciation, amortization, impairment and liquidation	9	1,348.2	1,459.1
Payments for film licenses and sports rights		(246.2)	(189.6)
Amortization of film licenses and sports rights		166.1	173.5
Interest expense		331.1	417.4
Change in inventories		(16.9)	0.7
Change in receivables and other assets		(224.5)	(164.6)
Change in liabilities, provisions and deferred income		(90.1)	(141.3)
Change in internal production and advance payments		1.4	(5.6)
Foreign exchange (gains)/losses, net		(15.1)	258.3
Income tax		192.6	113.5
Net additions of reception equipment provided under operating lease		(97.4)	(111.0)
Net gain on derivatives		(1.3)	(161.9)
Early redemption costs		58.7	-
Other adjustments		51.1	29.8
Cash from operating activities		**2,245.7**	**2,357.5**
Income tax paid		(181.5)	(236.1)
Interest received from operating activities		23.5	19.5
Net cash from operating activities		**2,087.7**	**2,140.9**
Acquisition of property, plant and equipment		(418.9)	(301.2)
Acquisition of intangible assets		(137.3)	(94.6)
Acquisition of bonds		-	(323.6)
Concession payments		(120.7)	(268.5)
Acquisition of subsidiaries, net of cash acquired	16	1.6	(144.4)
Proceeds from sale of property, plant and equipment		15.8	6.3
Granted loans		(28.6)	(10.5)
Repayment of loans granted		25.0	-
Other inflows/(outflows)		5.9	(2.3)
Net cash used in investing activities		**(657.2)**	**(1,138.8)**

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Loans and borrowings inflows	14	600.0	5,500.0
Bonds redemption	15	(886.7)	(4,483.8)
Repayment of loans and borrowings	14	(802.0)	(1,706.9)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(319.6)	(631.7)
Early redemption fee	15	(58.7)	(262.1)
Dividend payment		(204.7)	-
Hedging instrument effect – principal		-	175.4
Other outflows		(4.3)	(4.4)
Net cash used in financing activities		**(1,676.0)**	**(1,413.5)**
Net decrease in cash and cash equivalents		**(245.5)**	**(411.4)**
Cash and cash equivalents at the beginning of the period		**1,336.7****	**1,523.7******
Effect of exchange rate fluctuations on cash and cash equivalents		(2.8)	(2.1)
Cash and cash equivalents at the end of the period		**1,088.4*****	**1,110.2*******

* Includes impact of hedging instruments
** Includes restricted cash amounting to PLN 10.7
*** Includes restricted cash amounting to PLN 8.2
**** Includes restricted cash amounting to PLN 11.7
***** Includes restricted cash amounting to PLN 10.8

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Interim Consolidated Statement of Changes in Equity for the 9 months ended 30 September 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**
Dividend declared and paid	-	-	-	(204.7)	(204.7)	-	**(204.7)**
Total comprehensive income	-	-	(1.0)	813.5	812.5	(25.5)	**787.0**
Hedge valuation reserve	-	-	*(1.0)*	-	*(1.0)*	-	***(1.0)***
Net profit for the period	-	-	-	*813.5*	*813.5*	*(25.5)*	***788.0***
Balance as at 30 September 2017 unaudited	**25.6**	**7,174.0**	**3.5**	**4,704.3**	**11,907.4**	**52.5**	**11,959.9**

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

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

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

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

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,
- Heronim Ruta	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 9 months ended 30 September 2017 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 2016, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The Group applied the same accounting policies in the preparation of the financial data for the 9 months ended 30 September 2017 and the consolidated financial statements for the year 2016, presented in the consolidated annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2017. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2017 do not have a material impact on these interim condensed consolidated financial statements.

The Group is currently analyzing the impact of the published standards that are not yet effective and assesses that IFRS 15 will have a significant impact on the financial statements due to the change in the recognition model of revenue from customer contracts. New standard implementation project is currently in progress.

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5. Group structure

These interim condensed consolidated financial statements for the 9 months ended 30 September 2017 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2017	31 December 2016
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 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, Warsaw	non-current assets and intellectual property rights management	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	100%	100%
Telewizja Polsat Holdings Sp. z o.o. [(a)]	Ostrobramska 77, Warsaw	holding activities, television broadcasting and production	-	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, Warsaw	telecommunication activities	100%	100%
Polsat Brands AG (formerly Polsat Brands (einfache Gesellschaft))	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	television broadcasting	100%	100%

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			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2017	31 December 2016
Subsidiaries accounted for using full method (cont.)				
Muzo.fm Sp. z o.o.	Ostrobramska 77, Warsaw	radio broadcasting and production	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
Metelem Holding Company Limited (b)	Chrysanthou Mylona 3 Office no. 102 CY 3030 Limassol Cyprus	holding and financial activities	-	100%
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 4 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Polkomtel Sp. z o.o.	Konstruktorska 4, Warsaw	telecommunication activities	100%	100%

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	Entity's registered office	Activity	Share in voting rights (%) 30 September 2017	31 December 2016
Subsidiaries accounted for using full method (cont.)				
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ) (in liquidation) [c]	Norrlandsgatan 18 111 43 Stockholm Sweden	financial activities	-	100%
Liberty Poland S.A.	Katowicka 47 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Plus TM Management Sp. z o.o.	Konstruktorska 4, Warsaw	intellectual property rights management and rental	100%	100%
LTE Holdings Limited [d]	Kostaki Pantelidi 1 1010, Nicosia Cyprus	holding activities	-	100%
TM Rental Sp. z o.o.	Konstruktorska 4, Warsaw	intellectual property rights rental	100%	100%
IT Polpager S.A.[e]	Al. Stanów Zjednoczonych 61A, Warsaw	maintenance of telco network	-	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
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, Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, Mielec	production of set-top boxes	100%	100%

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

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2017	31 December 2016
Subsidiaries accounted for using full method (cont.)				
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Jerozolimskie 81, Warsaw	premium rate services	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, Warsaw	financial activities	*	*
Grab Sarl (f)	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	-	100%
Grab Investment SCSp (g)	6, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg	holding activities	-	100%
Litenite Ltd.	Kostaki Pantelidi 1 1010, Nikozja Cypr	holding activities	100%	100%
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, Warsaw	telecommunication activities	51%	51%
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	software	66%	66%
Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.)(h)	Konstruktorska 4, Warsaw	management and rental services	100%	49%**

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

** As at 31 December 2016 the shares in Paszport Korzyści Sp. z o.o. were accounted for under the equity method.

(a) On 28 April 2017a merger of Telewizja Polsat Sp. z o.o. with Telewizja Polsat Holdings Sp. z o.o. was registered.

(b) On 7 April 2017 a cross-border merger of Cyfrowy Polsat with its subsidiary Metelem Holding Company Limited was registered.

(c) On 29 June 2017 a liquidation of Polkomtel Finance AB (publ) was registered.

(d) LTE Holdings Limited was disposed on 19 June 2017.

(e) On 31 March 2017 a merger of Polkomtel Sp. z o.o. with IT Polpager S.A. was registered.

(f) On 20 July 2017 a liquidation of Grab Sarl was registered.

(g) On 8 June 2017 a liquidation of Grab Investment SCSp was registered.

(h) Company consolidated from 7 September 2017 following acquisition of 51% shares (see note 16).

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

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) 30 September 2017	31 December 2016
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18, Warsaw	maintenance of loyalty programs	49.97%	49.97%

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 9 months ended 30 September 2017:

	Entity's registered office	Activity	Share in voting rights (%) 30 September 2017	31 December 2016
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25E lok. 216, Olsztyn	infrastructure projects advisory	1.5%**	1.5%**

* 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 8 November 2017.

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

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.

8. Revenue

	for the 3 months ended		**for the 9 months ended**	
	30 September 2017 unaudited	**30 September 2016 unaudited**	**30 September 2017 unaudited**	**30 September 2016 unaudited**
Retail revenue	1,494.0	1,583.7	4,570.0	4,736.3
Wholesale revenue	588.4	562.9	1,802.8	1,807.7
Sale of equipment	264.5	221.3	756.4	585.2
Other revenue	44.0	19.9	120.2	65.5
Total	**2,390.9**	**2,387.8**	**7,249.4**	**7,194.7**

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

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

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

9. Operating costs

		for the 3 months ended		for the 9 months ended	
	Note	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Technical costs and cost of settlements with telecommunication operators		528.5	459.2	1,480.2	1,466.1
Depreciation, amortization, impairment and liquidation		429.2	507.9	1,348.2	1,459.1
Cost of equipment sold		323.3	330.5	965.7	974.6
Content costs		269.7	252.1	832.4	816.9
Distribution, marketing, customer relation management and retention costs		224.0	202.6	651.0	605.3
Salaries and employee-related costs	a	127.4	130.5	388.9	406.6
Cost of debt collection services and bad debt allowance and receivables written off		21.3	5.7	56.9	31.6
Other costs		52.3	50.2	153.4	168.5
Total		**1,975.7**	**1,938.7**	**5,876.7**	**5,928.7**

a) Salaries and employee-related costs

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Salaries	107.6	110.7	324.4	341.2
Social security contributions	16.0	16.2	53.3	54.9
Other employee-related costs	3.8	3.6	11.2	10.5
Total	**127.4**	**130.5**	**388.9**	**406.6**

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

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Interest, net	8.0	8.2	23.8	23.0
Other foreign exchange gains/(losses), net	(2.7)	11.8	29.5	(45.0)
Other costs	(33.3)	(6.9)	(65.2)	(21.5)
Total	**(28.0)**	**13.1**	**(11.9)**	**(43.5)**

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

11. Finance costs

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Interest expense on loans and borrowings	93.2	102.1	277.7	304.4
Interest expense on issued bonds	10.9	30.5	58.9	113.7
Foreign exchange differences on issued bonds	-	-	-	244.8
Valuation and realization of hedging instruments	-	1.7	(0.2)	5.6
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(0.1)	(7.2)	5.2	(16.1)
Valuation and realization of derivatives not used in hedge accounting – relating to principal	-	-	-	(203.8)
Early redemption costs	-	-	58.7	-
Other	0.8	0.2	3.3	(5.4)
Total	**104.8**	**127.3**	**403.6**	**443.2**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 September 2017 and 31 December 2016:

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

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

The shareholders' structure as at 30 September 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. (formerly Embud Sp. z o.o.) [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.

The shareholders' structure as at 31 December 2016 was as follows:

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

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

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

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

(ii) Share premium

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

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2017	2016
Balance as at 1 January	**1.2**	**(6.7)**
Valuation of cash flow hedges	(1.2)	7.3
Deferred tax	0.2	(1.4)
Change for the period	**(1.0)**	**5.9**
Balance as at 30 September unaudited	**0.2**	**(0.8)**

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

14. Loans and borrowings

Loans and borrowings	30 September 2017 unaudited	31 December 2016
Short-term liabilities	1,824.8	1,270.0
Long-term liabilities	8,561.9	9,302.7
Total	**10,386.7**	**10,572.7**

Change in loans and borrowings liabilities:

	2017	2016
Loans and borrowings as at 1 January	**10,572.7**	**6,610.7**
Loans and borrowings on acquisition of Litenite	-	378.7
Facilities agreement	-	4,800.0
Revolving facility loan	600.0	700.0
Repayment of capital	(802.0)	(1,706.9)
Repayment of interest and commissions	(261.7)	(287.2)
Interest accrued	277.7	304.4
Loans and borrowings as at 30 September unaudited	**10,386.7**	**10,799.7**

15. Issued bonds

	30 September 2017 unaudited	31 December 2016
Short-term liabilities	42.1	42.4
Long-term liabilities	965.2	1,835.7
Total	**1,007.3**	**1,878.1**

Change in issued bonds:

	2017	2016
Issued bonds as at 1 January	**1,878.1**	**5,752.0**
Bonds on acquisition of Litenite	-	1,123.2
Bonds redemption	(886.7)	(4,483.8)
Repurchase of own bonds by the Group companies	-	(328.8)
Foreign exchange losses	-	244.8
Repayment of interest and commission	(43.0)	(306.2)
Early redemption cost	58.7	-
Early redemption fee	(58.7)	(262.1)
Interest accrued	58.9	107.9
Issued bonds payable as at 30 September unaudited	**1,007.3**	**1,847.0**

Early redemption

On 26 April 2017 Litenite Limited early redeemed all of its issued zero-coupon bonds in the total of PLN 945.4 (including early redemption fee).

Other notes

16. Acquisition of a subsidiary

Acquisition of shares in Paszport Korzyści Sp. z o.o.

On 7 September 2017 Polkomtel Sp. z o.o. (Company's indirect subsidiary) acquired 100% shares of Paszport Korzyści Sp. z o.o. from Bithell Holdings Limited, Plus Bank S.A. and Polkomtel Business Development Sp. z o.o. (Company's indirect subsidiary, which have had 49% shares of Paszport Korzyści Sp. z o.o. before above mentioned transaction). The consideration for the 100% shares of Paszport Korzyści Sp. z o.o. amounted to PLN 5,000 (not in millions).

a) Provisional consideration transferred

	Provisional value of transferred
Cash transferred for the 51% shares of Paszport Korzyści Sp. z o.o.	0.0
Provisional value as at 30 September 2017	**0.0**

b) Reconciliation of transactional cash flow

Cash transferred	(0.0)
Cash and cash equivalents received	1.6
Cash increase in the period of 9 months ended 30 September 2017	**1.6**

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 30 September 2017:

	Provisional fair value as at the acquisition date (30 September 2017)
Net assets:	
Deferred tax assets	4.5
Trade receivables and other receivables	0.1
Cash and equivalents	1.6
Loans and borrowings*	(28.6)
Trade liabilities and other liabilities	(0.2)
Provisional value of net assets	**(22.6)**
Consideration transferred	**0.0**
Adjustment concerning loans and borrowings	**22.6**
Provisional goodwill	**0.0**

* As at 7 September 2017 Paszport Korzyści Sp. z o.o. had loans and borrowings to Company's indirect subsidiary.

The revenue and net loss included in the interim consolidated income statement for the reporting period since 7 September 2017 contributed by Paszport Korzyści Sp. z o.o. amounted to PLN 0.0 and PLN 0.1, respectively. Had it been acquired on 1 January 2017 the proforma revenue and net income included in the interim consolidated income statement for would have amounted to PLN 7,249.3 and PLN 791.1, 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;

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- 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 9 months ended 30 September 2017:

The 9 months ended 30 September 2017 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	6,379.5	869.9	-	7,249.4
Inter-segment revenues	30.5	130.3	(160.8)	-
Revenues	**6,410.0**	**1,000.2**	**(160.8)**	**7,249.4**
EBITDA (unaudited)	**2,389.3**	**355.0**	**-**	**2,744.3**
Depreciation, amortization, impairment and liquidation	1,319.5	28.7	-	1,348.2
Profit from operating activities	**1,069.8**	**326.3**	**-**	**1,396.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	635.7*	19.2	-	654.9
Balance as at 30 September 2017 (unaudited)				
Assets, including:	22,507.0	4,434.2**	(48.6)	26,892.6
Investments in joint venture	-	5.8	-	5.8

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

** Includes non-current assets located outside of Poland in the amount of PLN 67.1.

All material revenues are generated in Poland.

It should be noted that the data for 9 months ended 30 September 2017 is not comparable to the 9 months ended 30 September 2016 as Litenite Limited was acquired on 29 February 2016 (allocated to the Services to individual and business customers segment), IT Polpager S.A. was acquired on 30 September 2016 (allocated to the Services to individual and business customers segment) and Paszport Korzyści Sp. z o.o. was acquired on 7 September 2017 (allocated to the Services to individual and business customers segment).

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

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

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

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

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

Reconciliation of EBITDA and net profit for the period:

	for the 9 months ended	
	30 September 2017 unaudited	**30 September 2016 unaudited**
EBITDA (unaudited)	**2,744.3**	**2,738.5**
Depreciation, amortization, impairment and liquidation (note 9)	(1,348.2)	(1,459.1)
Profit from operating activities	**1,396.1**	**1,279.4**
Other foreign exchange rate differences, net (note 10)	29.5	(45.0)
Interest costs, net (note 10 and 11)	(317.8)	(384.6)
Foreign exchange differences on issued bonds (note 11)	-	(244.8)
Valuation and realization of derivatives not used in hedge accounting – relating to principal (note 11)	-	203.8
Other	(127.2)	(16.1)
Gross profit for the period	**980.6**	**792.7**
Income tax	(192.6)	(113.5)
Net profit for the period	**788.0**	**679.2**

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

18. Transactions with related parties

Receivables

	30 September 2017 unaudited	31 December 2016
Joint ventures	1.0	1.3
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.	5.9	11.2
Total*	**6.9**	**12.5**

*Amounts presented above do not include deposits paid (30 September 2017 – PLN 3.4, 31 December 2016 – PLN 3.4).

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

Other assets

	30 September 2017 unaudited	31 December 2016
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	0.1
Total	**1.1**	**0.1**

Liabilities

	30 September 2017 unaudited	31 December 2016
Joint ventures	0.6	1.5
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.	24.4	27.3
Total	**25.0**	**28.8**

Loans granted

	30 September 2017 unaudited	31 December 2016
Joint ventures	5.0	48.3
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.	2.1	3.1
Total	**7.1**	**51.4**

Issued bonds

	30 September 2017 unaudited	31 December 2016
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.	-	792.2
Total	**-**	**792.2**

On 26 April 2017 Litenite Limited early redeemed all of its issued bonds.

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

Revenues

	for the 9 months ended	
	30 September 2017 unaudited	**30 September 2016 unaudited**
Subsidiaries*	0.1	84.6
Joint ventures	0.1	0.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	10.4	10.0
Total	**10.6**	**95.4**

*Concerns transaction with subsidiaries executed prior to their acquisition.

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

Expenses and purchases of programming assets

	for the 9 months ended	
	30 September 2017 unaudited	**30 September 2016 unaudited**
Subsidiaries*	-	120.2
Joint ventures	1.8	2.8
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.	181.4	163.6
Total	**183.2**	**286.6**

*Concerns transaction with subsidiaries executed prior to their acquisition.

In 9 months ended 30 September 2017 the most significant transactions include cost of electrical energy, property rental, expenses for programming assets and advertising services.
In 9 months ended 30 September 2016 the most significant transactions include data transfer services, property rental, cost of electrical energy, expenses for programming assets and advertising services.

Gain on investment activities, net

	for the 9 months ended	
	30 September 2017 unaudited	**30 September 2016 unaudited**
Subsidiaries*	0.8	-
Joint ventures	1.3	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.	0.1	0.7
Total	**2.2**	**2.8**

*Concerns transaction with subsidiaries executed prior to their acquisition.

Finance costs

	for the 9 months ended	
	30 September 2017 unaudited	**30 September 2016 unaudited**
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.	78.4	42.4
Total	**78.4**	**42.4**

19. Contingent liabilities

Management believes that the provisions as at 30 September 2017 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

On 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's indirect subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4.0 (i.e. EUR 1.0). On 20 October 2015 SOKiK's verdict has been revoked and the case has been transferred for re-examination. On 28 April 2017 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 1.3. Polkomtel and President of UOKiK appealed against the verdict.

On 23 November 2011 Polkomtel (Company's indirect subsidiary) received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5. In management's opinion, no such agreement had been concluded between the parties. The company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty. Following SOKiK's verdict dated 19 June 2015 the penalty has been revoked in full. The President of UOKiK appealed against the verdict. On 15 March 2017 the President of UOKiK appeal has been rejected by the Court. The verdict is binding. The President of UOKiK filed for cassation against the verdict.

On 15 December 2014 Polkomtel (Company's indirect subsidiary) received a claim from Orange for the total amount of PLN 21.0 related to the actions allegedly contrary to the obligations arising under the agreement for the transfer of rights to radio frequencies. On 13 January 2015 the company filed an answer to the claim. Pursuant to the decision of the District Court in Warsaw the penalty has been lowered to PLN 9.0. On 20 April 2017 the penalty has been affirmed by the Court in the amount of PLN 9.0. On 12 May 2017 Polkomtel made a payment in the amount of PLN 9.0. Polkomtel filed cassation appeal. In management's opinion the claim is groundless.

On 23 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8. The company appealed to SOKiK against the decision. On 24 October 2017 the appeal has been rejected by SOKiK. The verdict is nonbinding.

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 7 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 7 August 2017 concerning the annulment of the tender procedure. The decision issued does not affect reservation decisions issued following the 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 that might have been necessary should the dispute’s outcome be unfavorable for the entity.

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 2016 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 2016. There have been no significant changes in any risk management policies since the end of year 2016.

Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash outflows for financial liabilities except for repayment of Litenite bonds and utilization of revolving facility loan.

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,

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Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

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

			30 September 2017 unaudited		31 December 2016	
	Category according to IAS 39	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	7.4	7.4	53.0	51.8
Trade and other receivables	A	*	2,215.9	2,215.9	2,008.9	2,008.9
Cash and cash equivalents	A	*	1,080.2	1,080.2	1,326.0	1,326.0
Restricted cash	A	*	8.2	8.2	10.7	10.7
Loans and borrowings	C	2	(10,451.2)	(10,386.7)	(10,651.7)	(10,572.7)
Issued bonds	C	1,2**	(1,024.5)	(1,007.3)	(2,076.3)	(1,878.1)
UMTS licence liabilities	C	2	(614.6)	(570.0)	(755.4)	(695.5)
Finance lease liabilities	C	2	(26.4)	(26.4)	(25.8)	(25.9)
Accruals	C	*	(630.6)	(630.6)	(706.4)	(706.4)
Trade and other payables and deposits	C	*	(511.2)	(511.2)	(586.0)	(586.0)
Total			**(9,946.8)**	**(9,820.5)**	**(11,403.0)**	**(11,067.2)**
Unrecognized loss				**(126.3)**		**(335.8)**

A – loans and receivables
B – derivatives
C - other
* 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.
** As at 30 September 2017 and 31 December 2016 bonds issued by Cyfrowy Polsat are included in level 1 of the fair value hierarchy and as at 31 December 2016 bonds issued by Litenite are included in level 2 of the fair value hierarchy.

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

Trade and other receivables, accruals, 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.

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

As at 30 September 2017 loans and borrowings comprised senior facilities and revolving facility loan and as at 31 December 2016 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 30 September 2017 and 31 December 2016, forecasted cash flows from the reporting date to 21 September 2020 (assumed date of repayment of the loans) were analyzed. When determining the fair value of revolving facility as at 30 September 2017, forecasted cash flows from the reporting date to 28 May 2018 (assumed date of repayment of the loan) were analyzed.

The fair value of bonds as at 30 September 2017 and 31 December 2016 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations for bonds issued by Cyfrowy Polsat S.A. Fair value of Litenite bonds as at 31 December 2016 was estimated according to generally accepted valuation model based on discounted cash flow analysis while the most significant batch data is interest rate reflecting customers credit risks.

As at 30 September 2017, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	30 September 2017 unaudited	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments:				
Interest rate swaps		-	8.1	-
Hedging derivative instruments:				
Interest rate swaps		-	0.8	-
Total		**-**	**8.9**	**-**

Liabilities measured at fair value

	30 September 2017 unaudited	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments:				
Interest rate swaps		-	(1.3)	-
Hedging derivative instruments:				
Interest rate swaps		-	(0.5)	-
Total		**-**	**(1.8)**	**-**

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

As at 31 December 2016, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	31 December 2016	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Interest rate swaps		-	14.7	-
Hedging derivative instruments:				
Interest rate swaps		-	1.5	-
Total		**-**	**16.2**	**-**

21. Important agreements and events

Changes in Group structure

On 31 March 2017 a merger of Polkomtel Sp. z o.o. with IT Polpager S.A. was registered. The surviving entity is Polkomtel Sp. z o.o.

On 7 April 2017 the Company completed a cross-border merger with Metelem Holding Company Limited. The surviving entity is Cyfrowy Polsat.

On 28 April 2017 a merger of Telewizja Polsat Sp. z o.o. with Telewizja Polsat Holdings Sp. z o.o. was registered. The surviving entity is Telewizja Polsat Sp. z o.o.

On 8 June 2017 a liquidation of Grab Investment SCSp was registered.

LTE Holdings Limited was disposed on 19 June 2017 for EUR 1.0 (not in millions).

On 29 June 2017 a liquidation of Polkomtel Finance AB (publ) was registered.

On 20 July 2017 a liquidation of Grab Sarl was registered.

Decision of the Head of the Mazovian Tax Office in Warsaw

On 25 May 2017 the Head of the Mazovian Tax Office in Warsaw ("Tax Office") issued the decision 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 plus accrued penalty.
In the issued decision 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 decision in question is neither final nor enforceable. The Company appealed against the decision of the Tax Office to the head of the Treasury Administration Chamber in Warsaw.
At present the Company does not intend to create any provisions encumbering its financial results.

Distribution of the profit

On 27 June 2017 the Annual General Meeting of the Company adopted a resolution on the distribution of the profit for the year ended 31 December 2016 in the amount of PLN 578.0 as follows:

(i) PLN 204.7 (PLN 0.32 (not in million) per share) to be distributed as dividends to the shareholders of the Company,
(ii) PLN 373.3 to be allocated to the reserve capital.

The dividend day was scheduled for 20 July 2017, and the dividend payment day for 3 August 2017.

22. Events subsequent to the reporting date

Conditional acquisition agreement of shares

On 11 October 2017 Liberty Poland S.A. (Company's indirect subsidiary) concluded a conditional agreement for the purchase of 100% shares of Coltex ST Sp. z o.o. with Coltex Rogala Spółka Jawna, Star Telecom Sp. z o.o. and R.S. Trading Lachowscy Spółka Jawna (the „Sellers"). The Agreement was concluded subject to series of precedent conditions, *inter alia* the issue of the relevant approval by the President of the Office of Competition and Consumer Protection. The purchase price was agreed as PLN 27.5.

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

Commitments to purchase programming assets

As at 30 September 2017 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 September 2017 unaudited	**31 December 2016**
within one year	253.3	139.4
between 1 to 5 years	521.2	83.3
more than 5 years	20.0	20.0
Total	**794.5**	**242.7**

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

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

	30 September 2017 unaudited	31 December 2016
within one year	2.1	14.6
Total	**2.1**	**14.6**

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 127.1 as at 30 September 2017 (PLN 118.3 as at 31 December 2016). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 September 2017 was PLN 185.6 (PLN 115.3 as at 31 December 2016).

Other

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. Furthermore, on 15 July 2016 provisions of General Anti-Avoidance Rule (GAAR) were introduced, which aim at preventing establishing and using artificial legal arrangements with tax savings as its principal purpose. Frequent amendments in the tax laws and contradicting legal interpretations among the tax authorities result in uncertainties and lack of consistency in the tax system, which in fact lead to difficulties in the judgement of the tax consequences in the foreseeable future.

24. Judgments, financial estimates and assumptions

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

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

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2016.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 9 months ended 30 September 2017

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 8 November 2017, 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 2017 to 30 September 2017 showing a net profit for the period of:	PLN 559.0
Interim Statement of Comprehensive Income for the period from 1 January 2017 to 30 September 2017 showing a total comprehensive income for the period of:	PLN 558.0
Interim Balance Sheet as at 30 September 2017 showing total assets and total equity and liabilities of:	PLN 13,352.2
Interim Cash Flow Statement for the period from 1 January 2017 to 30 September 2017 showing a net increase in cash and cash equivalents amounting to:	PLN 188.3
Interim Statement of Changes in Equity for the period from 1 January 2017 to 30 September 2017 showing an increase in equity of:	PLN 353.3

Notes to the Interim Condensed Financial Statements

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

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

Warsaw, 8 November 2017

(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

		for the 3 months ended		for the 9 months ended	
	Note	**30 September 2017 unaudited**	**30 September 2016 unaudited**	**30 September 2017 unaudited**	**30 September 2016 unaudited**
Revenue	7	567.9	559.9	1,690.8	1,640.1
Operating costs	8	(499.0)	(474.5)	(1,467.7)	(1,396.6)
Other operating income, net		2.6	1.7	5.7	9.7
Profit from operating activities		**71.5**	**87.1**	**228.8**	**253.2**
Gain on investment activities, net	9	14.7	8.6	433.7	265.9
Finance costs	10	(20.9)	(25.4)	(63.7)	(77.8)
Gross profit for the period		**65.3**	**70.3**	**598.8**	**441.3**
Income tax		(12.6)	(15.0)	(39.8)	(40.6)
Net profit for the period		**52.7**	**55.3**	**559.0**	**400.7**
Basic and diluted earnings per share (in PLN)		**0.08**	**0.09**	**0.87**	**0.63**

Interim Statement of Comprehensive Income

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	**30 September 2016 unaudited**	**30 September 2017 unaudited**	**30 September 2016 unaudited**
Net profit for the period	**52.7**	**55.3**	**559.0**	**400.7**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	(0.1)	2.6	(1.2)	7.3
Income tax relating to hedge valuation	0.0	(0.5)	0.2	(1.4)
Items that may be reclassified subsequently to profit or loss	**(0.1)**	**2.1**	**(1.0)**	**5.9**
Other comprehensive income/(loss), net of tax	**(0.1)**	**2.1**	**(1.0)**	**5.9**
Total comprehensive income for the period	**52.6**	**57.4**	**558.0**	**406.6**

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

Interim Balance Sheet - Assets

	30 September 2017 unaudited	31 December 2016
Reception equipment	354.6	372.2
Other property, plant and equipment	109.9	131.4
Goodwill	197.0	197.0
Other intangible assets	67.5	73.7
Investment property	39.8	31.2
Shares in subsidiaries	11,486.8	11,469.3
Non-current deferred distribution fees	29.3	28.3
Other non-current assets	26.5	38.0
includes derivative instruments	*0.1*	*0.9*
Total non-current assets	**12,311.4**	**12,341.1**
Inventories	76.6	84.9
Trade and other receivables	249.3	279.3
Income tax receivables	0.8	-
Current deferred distribution fees	71.9	76.2
Other current assets	174.4	223.5
includes derivative instruments	*0.7*	*0.6*
Cash and cash equivalents	467.8	278.8
Total current assets	**1,040.8**	**942.7**
Total assets	**13,352.2**	**13,283.8**

(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	30 September 2017 unaudited	31 December 2016
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	0.2	1.2
Retained earnings		3,665.7	3,311.4
Total equity		**10,865.5**	**10,512.2**
Loans and borrowings	13	604.7	782.0
Issued bonds	14	965.2	975.5
Deferred tax liabilities		95.5	91.0
Deferred income		3.4	4.2
Other non-current liabilities and provisions		1.0	10.0
Total non-current liabilities		**1,669.8**	**1,862.7**
Loans and borrowings	13	267.6	239.1
Issued bonds	14	42.1	42.4
Trade and other payables		258.6	385.2
includes derivative instruments		*0.5*	-
Income tax liability		7.2	8.0
Deposits for equipment		2.3	1.9
Deferred income		239.1	232.3
Total current liabilities		**816.9**	**908.9**
Total liabilities		**2,486.7**	**2,771.6**
Total equity and liabilities		**13,352.2**	**13,283.8**

(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 9 months ended 30 September 2017 unaudited	for the 9 months ended 30 September 2016 unaudited
Net profit		**559.0**	**400.7**
Adjustments for:		**(260.8)**	**(147.5)**
Depreciation, amortization, impairment and liquidation	8	162.2	169.4
Interest expense		54.1	69.7
Change in inventories		8.3	(12.4)
Change in receivables and other assets		87.2	(48.9)
Change in liabilities, provisions and deferred income		(68.5)	8.5
Income tax		39.8	40.6
Net increase in reception equipment provided under operating lease		(111.6)	(123.9)
Dividends income and share in the profits of partnerships	9	(428.8)	(258.7)
Other adjustments		(3.5)	8.2
Cash from operating activities		**298.2**	**253.2**
Income tax paid		(36.7)	(34.9)
Interest received from operating activities		4.8	0.8
Net cash from operating activities		**266.3**	**219.1**
Received dividends and shares in the profits of partnerships		365.3	245.1
Merger with related entities		53.8	-
Loans granted		-	(13.1)
Acquisition of property, plant and equipment		(10.3)	(27.4)
Acquisition of intangible assets		(9.6)	(12.9)
Proceeds from sale of shares		-	0.1
Proceeds from sale of property, plant and equipment		6.2	3.7
Loans repaid		10.0	5.6
Interest on loans repaid		1.5	-
Share capital increase in subsidiaries		(72.0)	-
Net cash from investing activities		**344.9**	**201.1**
Net cash from the Cash Management System Agreement with interest paid		-	(299.5)
Payment of interest on loans, borrowings, bonds and commissions*		(66.7)	(78.4)
Repayment of loans and borrowings	13	(151.5)	(120.0)
Dividend paid	18	(204.7)	-
Net cash used in financing activities		**(422.9)**	**(497.9)**
Net increase/(decrease) in cash and cash equivalents		**188.3**	**(77.7)**
Cash and cash equivalents at the beginning of period		**278.8**	**136.4**
Effect of exchange rate fluctuations on cash and cash equivalents		0.7	-
Cash and cash equivalents at the end of period		**467.8**	**58.7**

* Includes impact of hedging instruments

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

Interim Statement of Changes in Equity
for the 9 months ended 30 September 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**
Dividend declared and paid	-	-	-	(204.7)	**(204.7)**
Total comprehensive income	-	-	(1.0)	559.0	**558.0**
Hedge valuation reserve	-	-	*(1.0)*	-	***(1.0)***
Net profit for the period	-	-	-	*559.0*	***559.0***
Balance as at 30 September 2017 unaudited	**25.6**	**7,174.0**	**0.2**	**3,665.7**	**10,865.5**

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

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

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

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

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'). On 7 April 2017 the Company completed a merger with its subsidiary, Metelem Holding Company Limited. As at 30 September 2017 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., PL 2014 Sp. z o.o. and Orsen Holding Limited and its subsidiaries.

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.

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

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,
- Heronim Ruta	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 9 months ended 30 September 2017 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 2016, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS EU).

The Company as the Parent Company prepared the interim condensed consolidated financial statements (approved on 8 November 2017). These interim condensed financial statements should be read together with the interim condensed consolidated financial statements.

The Company applied the same accounting policies in the preparation of the financial data for the 9 months ended 30 September 2017 and the financial statements for the year 2016, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2017. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2017 do not have a material impact on these interim condensed financial statements.

The Company is currently analyzing the impact of the published standards that are not yet effective and assesses that IFRS 15 will have a significant impact on the financial statements due to the change in the recognition model of revenue from customer contracts. New standard implementation project is currently in progress.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 8 November 2017.

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

Explanatory notes

6. Information on seasonality in the Company's operations

Revenue is not directly subject to any seasonal trend.

7. Revenue

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Retail revenue	532.1	519.5	1,589.2	1,531.3
Wholesale revenue	14.8	16.3	46.4	52.1
Sale of equipment	9.9	18.6	22.3	37.8
Other revenue	11.1	5.5	32.9	18.9
Total	**567.9**	**559.9**	**1,690.8**	**1,640.1**

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		for the 9 months ended	
	Note	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Content costs		146.8	146.2	441.3	445.4
Technical costs and costs of settlements with mobile network operators		144.7	120.4	417.6	339.1
Distribution, marketing, customer relation management and retention costs		83.5	79.7	240.9	232.8
Depreciation, amortization, impairment and liquidation		53.0	55.2	162.2	169.4
Salaries and employee-related costs	a	25.0	21.3	75.7	69.2
Cost of equipment sold		10.0	18.7	23.1	39.6
Cost of debt collection services and bad debt allowance and receivables written off		5.3	2.2	11.5	9.7
Other costs		30.7	30.8	95.4	91.4
Total		**499.0**	**474.5**	**1,467.7**	**1,396.6**

(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		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Salaries	21.4	18.3	63.1	58.7
Social security contributions	3.0	2.4	10.6	9.0
Other employee-related costs	0.6	0.6	2.0	1.5
Total	**25.0**	**21.3**	**75.7**	**69.2**

9. Gain on investment activities, net

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Dividends	-	-	387.4	233.6
Share in the profits of partnerships	11.3	6.9	41.4	25.1
Other	3.4	1.7	4.9	7.2
Total	**14.7**	**8.6**	**433.7**	**265.9**

10. Finance costs

	for the 3 months ended		for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited	30 September 2017 unaudited	30 September 2016 unaudited
Interest expense on loans and borrowings	8.4	10.7	26.5	33.4
Interest expense on issued bonds	10.9	10.9	32.4	32.2
Valuation and realization of hedging instruments	-	1.7	(0.2)	5.6
Guarantee fees	1.2	1.5	3.8	4.2
Bank and other charges	0.4	0.6	1.2	2.4
Total	**20.9**	**25.4**	**63.7**	**77.8**

(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 30 September 2017 and 31 December 2016:

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

The shareholders' structure as at 30 September 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. (formerly Embud Sp. z o.o.) [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.

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

The shareholders' structure as at 31 December 2016 was as follows:

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

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

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

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

(ii) Share premium

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

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve:

	2017	2016
Balance as at 1 January	**1.2**	**(6.7)**
Valuation of cash flow hedges	(1.2)	7.3
Deferred tax	0.2	(1.4)
Change for the period	**(1.0)**	**5.9**
Balance as at 30 September unaudited	**0.2**	**(0.8)**

13. Loans and borrowings

Loans and borrowings	30 September 2017 unaudited	31 December 2016
Short-term liabilities	267.6	239.1
Long-term liabilities	604.7	782.0
Total	**872.3**	**1,021.1**

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Change in loans and borrowings liabilities:

	2017	2016
Loans and borrowings as at 1 January	**1,021.1**	**1,486.7**
Repayment of capital	(151.5)	(120.0)
Repayment of interest and commissions	(23.8)	(30.4)
Net cash from the Cash Management System Agreement	-	(299.0)
Interest accrued	26.5	33.4
Loans and borrowings as at 30 September unaudited	**872.3**	**1,070.7**

14. Issued bonds

	30 September 2017 unaudited	31 December 2016
Short-term liabilities	42.1	42.4
Long-term liabilities	965.2	975.5
Total	**1,007.3**	**1,017.9**

Change in issued bonds:

	2017	2016
Issued bonds payable as at 1 January	**1,017.9**	**1,017.7**
Repayment of interest and commissions	(43.0)	(42.9)
Interest accrued	32.4	32.2
Issued bonds payable as at 30 September unaudited	**1,007.3**	**1,007.0**

15. Transactions with related parties

Receivables

	30 September 2017 unaudited	31 December 2016
Subsidiaries	39.5	42.6
Joint ventures	1.0	1.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.7	1.1
Total	**41.2**	**44.7**

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

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Other assets

	30 September 2017 unaudited	31 December 2016
Subsidiaries	164.7	219.9
Total	**164.7**	**219.9**

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

Liabilites

	30 September 2017 unaudited	31 December 2016
Subsidiaries	72.6	158.0
Joint ventures	0.3	0.5
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.	2.4	2.5
Total	**75.3**	**161.0**

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

Loans granted

	30 September 2017 unaudited	31 December 2016
Subsidiaries	2.3	1.4
Joint ventures	-	11.2
Total	**2.3**	**12.6**

Revenues

	for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited
Subsidiaries	59.1	51.6
Joint ventures	-	0.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.6	0.9
Total	**59.7**	**52.9**

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

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

Expenses

	for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited
Subsidiaries	620.1	504.9
Joint ventures	0.1	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.	16.9	14.5
Total	**637.1**	**520.0**

The most significant transactions include data transfer services.

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

Gain on investment activities, net

	for the 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited
Subsidiaries	434.1	263.1
Joint ventures	-	0.4
Total	**434.1**	**263.5**

Gains and losses on investment activities comprises of dividends, 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 9 months ended	
	30 September 2017 unaudited	30 September 2016 unaudited
Subsidiaries	3.8	4.2
Total	**3.8**	**4.2**

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

Other notes

16. Litigations

Management believes that the provisions for litigations as at 30 September 2017 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

Significant proceedings described in the financial statements for the year ended 31 December 2016 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 2016. There have been no significant changes in any risk management policies since the end of year 2016.

Liquidity risk

Compared to 31 December 2016, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Fair value

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

(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.

			30 September 2017 unaudited		31 December 2016	
	Category according to IAS 39	Level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Loans granted	A	2	2.5	2.5	12.3	12.8
Trade and other receivables	A	*	253.6	253.6	289.9	289.9
Cash and cash equivalents	A	*	467.8	467.8	278.8	278.8
Loans and borrowings	C	2	(877.6)	(872.3)	(1,024.2)	(1,021.1)
Issued bonds	C	1	(1,024.5)	(1,007.3)	(1,045.2)	(1,017.9)
Accruals	C	*	(120.4)	(120.4)	(161.6)	(161.6)
Trade and other payables and deposits	C	*	(111.2)	(111.2)	(201.5)	(201.5)
Total			**(1,409.8)**	**(1,387.3)**	**(1,851.5)**	**(1,820.6)**
Unrecognized loss				**(22.5)**		**(30.9)**

A - loans and receivables
B - hedges
C - other

* 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 30 September 2017 and 31 December 2016 loans and borrowings comprised term facility loan. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 September 2017 and 31 December 2016, forecasted cash flows from the reporting date to 21 September 2020 (assumed date of repayment of the loan) were analyzed.

The fair value of bonds as at 30 September 2017 and 31 December 2016 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

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

As at 30 September 2017, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 September 2017 unaudited	Level 1	Level 2	Level 3
IRS		-	0.8	-
Total		**-**	**0.8**	**-**

Liabilities measured at fair value

	30 September 2017 unaudited	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 currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

As at 31 December 2016, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	31 December 2016	Level 1	Level 2	Level 3
IRS		-	1.5	-
Total		**-**	**1.5**	**-**

18. Important agreements and events

Merger

On 7 April 2017 the Company completed a merger with Metelem Holding Company Limited. Following the merger the Company became a direct shareholder of Eileme 1.

Decision of the Head of the Mazovian Tax Office in Warsaw

On 25 May 2017 the Head of the Mazovian Tax Office in Warsaw ("Tax Office") issued the decision 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 plus accrued penalty.

In the issued decision 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 decision in question is neither final nor enforceable. The Company appealed against the decision of the Tax Office to the head of the Treasury Administration Chamber in Warsaw.

At present the Company does not intend to create any provisions encumbering its financial results.

Distribution of the profit

On 27 June 2017 the Annual General Meeting of the Company adopted a resolution on the distribution of the profit for the year ended 31 December 2016 in the amount of PLN 578.0 as follows:

(i) PLN 204.7 (PLN 0.32 (not in million) per share) to be distributed as dividends to the shareholders of the Company,
(ii) PLN 373.3 to be allocated to the reserve capital.

The dividend day be scheduled for 20 July 2017, and the dividend payment day for 3 August 2017.

19. Other disclosures

Security relating to loans and borrowings

Establishment of collateral for loan facilities

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

Other securities

The Company provided 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 30 September 2017 (PLN 0.0 as at 31 December 2016). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 September 2017 was PLN 0.3 (PLN 0.3 as at 31 December 2016).

Other

The tax authorities may at any time inspect the books and records within 5 years from the end of the year when a tax declaration was submitted, and may impose additional tax assessments with penalty interest and penalties. Furthermore, on 15 July 2016 provisions of General Anti-Avoidance Rule (GAAR) were introduced, which aim at preventing establishing and using artificial legal arrangements with tax savings as its principal purpose. Frequent amendments in the tax laws and contradicting legal interpretations among the tax authorities result in uncertainties and lack of consistency in the tax system, which in fact lead to difficulties in the judgement of the tax consequences in the foreseeable future.

20. Events subsequent to the reporting date

There were no material events subsequent to the reporting date.

21. Judgments, financial estimates and assumptions

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

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

The key accounting estimates and assumptions applied in preparation on these interim condensed financial statements were the same as those adopted in the preparation of financial statements for the year ended 31 December 2016.