CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the six month period ended
June 30, 2018

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TABLE OF CONTENTS

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2018

POLSAT GROUP AT A GLANCE

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

- pay digital TV services offered mainly 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);

- telecommunication services, including voice and data transmission services, as well as various added services (VAS). We provide mobile telecommunication services mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators, and fixed-line telecommunication services through our subsidiary Netia;

- 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;

- fixed-line broadband Internet, offered through our subsidiary Netia whose own access networks reach over 2.5 million homes passed in ca. 180 Polish locations. In addition, Netia provides services based on the access to the infrastructure of Orange Polska;

- broadcasting and television production through Telewizja Polsat, the leading commercial TV broadcaster on the Polish market, offering 29 popular TV channels, including our main channel POLSAT, one of the leading FTA channels in Poland;

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

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

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

Our mission and main strategic goals

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

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

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

DISCLAIMERS

This constitutes the semi-annual report of Cyfrowy Polsat Capital Group S.A. prepared as required by Article 60 section 1 and 2 and Article 68 of the Ordinance of the Minister of Finance of March 29, 2018 regarding current and periodic information to be submitted by issuers of securities, and the conditions for recognizing equivalence of information required under non-member states regulations (Journal of Laws 2018.757 dated April 30, 2018).

Presentation of financial 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 Report contains financial statements and financial information relating to the Company and the Group. In particular, this Report contains our interim condensed consolidated financial statements for the 6-month period ended June 30, 2018 and the interim condensed financial statements for the 6-month period ended June 30, 2018. The financial statements attached to this Report have been prepared in accordance with International Financial Reporting Standards as approved for use in the European Union ("IFRS") and are presented in millions of zlotys. The financial statements were not audited, however, the interim condensed consolidated financial statements for the 6-month period ended June 30, 2018 and the interim condensed financial statements for the 6-month period ended June 30, 2018 were reviewed by an independent auditor.

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

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

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

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

Currency presentation

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

Forward looking statements

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

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

Industry and market data

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

- Eurostat, for data relating to the Polish economy and GDP growth;
- the Polish Chamber of Electronic Communication;
- the Office of Electronic Communications (UKE);
- the Central Statistical Office of Poland (GUS);
- the Body of European Regulators for Electronic Communications (BEREC);
- the European Commission (Digital Agenda Scoreboard);
- Nielsen Audience Measurement;
- Starcom (previously SMG Starlink);
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2016-2020);
- Zenith media house;
- Gemius/PBI;
- PMR;
- GfK Polonia;
- Ericsson Mobility Report;
- IQS;
- Fibre to the Home Council Europe; and
- operators functioning on the Polish market.

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the 3 and 6-month periods ended June 30, 2018 and June 30, 2017. The selected financial data presented in the tables below is expressed in millions PLN, unless otherwise stated. This information should be read in conjunction with interim condensed consolidated financial statements for the 6-month period ended June 30, 2018 and the information included in item 4 of this Report – *Operating and financial review of Polsat Group*.

Selected financial data:

- from the consolidated income statement for the 3-month periods ended June 30, 2018 and June 30, 2017 have been converted into euro at a rate of PLN 4.2607 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from April 1, 2018 to June 30, 2018;

- from the consolidated income statement and the consolidated cash flow statement for the 6-month periods ended June 30, 2018 and June 30, 2017 have been converted into euro at a rate of PLN 4.2207 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, 2018 to June 30, 2018;

- from the consolidated balance sheet data as at June 30, 2018 and December 31, 2017 have been converted into euro at a rate of PLN 4.3616 per EUR 1.00 (average exchange rate published by NBP on June 29, 2018).

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

It should be noted that data for the periods of 3 and 6 months ended June 30, 2018 are not fully comparable to data for the periods of 3 and 6 months ended June 30, 2017 due to the disposal of LTE Holdings Limited on June 19, 2017, the acquisition of 51% of shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) on September 7, 2017, the acquisition of 100% of shares in Eska TV S.A. and Lemon Records Sp. z o.o. on December 4, 2017, the acquisition of 34.02% and later 15.46% of shares in TV Spektrum Sp. z o.o. on December 4, 2017 and February 2, 2018, respectively, the acquisition of 31.76% of shares of Netia S.A. on December 5, 2017 and the acquisition of additional 10.33% shares in Netia S.A. on 22 May 2018, the disposal of shares in New Media Ventures Sp. z o.o. on December 8, 2017, the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018, the acquisition of 50% plus one share in Eleven Sports Network Sp. z o.o. on May 25, 2018, the acquisition of 45,1% shares in TVO Sp. z o.o. on May 29, 2018, the acquisition of 100% shares in Superstacja Sp. z o.o. on June 4, 2018 and the acquisition of 100% shares in Netshare Media Group Sp. z o.o. on June 25, 2018. Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2018 of IFRS 9 and IFRS 15 without the restatement of the comparative figures.

Consolidated balance sheet

	June 30, 2018 *data according to IFRS 15*		December 31, 2017 *data according to IAS 18*	
	mPLN	mEUR	mPLN	mEUR
Cash and cash equivalents(1)	887.8	203.5	1,172.0	268.7
Assets	29,751.6	6,821.3	27,756.0	6,363.7
Non-current liabilities	12.060,8	2.765,2	11,723.7	2,687.9
Non-current financial liabilities	10,129.5	2,322.4	10,285.7	2,358.2
Current liabilities	4.236,8	971,4	3,915.5	897.7
Current financial liabilities	1,126.8	258.3	1,394.1	319.6
Equity	13,454.0	3,084.6	12,116.8	2,778.1
Share capital	25.6	5.9	25.6	5.9

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

Consolidated cash flow statement

	for the 6-month period ended			
	June 30, 2018 *data according to IFRS 15*		June 30, 2017 *data according to IAS 18*	
	mPLN	mEUR	mPLN	mEUR
Net cash from operating activities	1,220.2	289.1	1,519.4	360.0
Net cash used in investing activities	(637.7)	(151.1)	(367.5)	(87.1)
Net cash used in financing activities	(868.2)	(205.7)	(1,122.3)	(265.9)
Net increase/(decrease) in cash and cash equivalents	(285.7)	(67.7)	29.6	7.0

Consolidated income statement

	for the 3 month period ended June 30				for the 6 month period ended June 30			
	2018 *acc. to IFRS 15*		2017 *acc. to IAS 18*		2018 *acc. to IFRS 15*		2017 *acc. to IAS 18*	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Revenue	2,603.2	611.0	2,469.9	579.7	4,949.1	1,172.6	4,858.5	1,151.1
Retail revenue	1,482.1	347.9	1,533.3	359.9	2,834.3	671.5	3,076.0	728.8
Wholesale revenue	738.5	173.3	652.3	153.1	1,374.4	325.6	1,214.4	287.7
Sale of equipment	341.7	80.2	243.3	57.1	659.2	156.2	491.9	116.5
Other sales revenue	40.9	9.6	41.0	9.6	81.2	19.2	76.2	18.1
Total operating cost	(2,127.0)	(499.2)	(1,962.8)	(460.7)	(4,044.1)	(958.2)	(3,901.0)	(924.3)
Technical costs and cost of settlements with mobile network operators	(578.5)	(135.8)	(483.5)	(113.5)	(1,083.0)	(256.6)	(951.7)	(225.5)
Depreciation, amortization, impairment and liquidation	(470.8)	(110.5)	(446.7)	(104.8)	(925.3)	(219.2)	(919.0)	(217.7)
Cost of equipment sold	(282.5)	(66.3)	(318.8)	(74.8)	(555.0)	(131.5)	(642.4)	(152.2)
Content costs	(323.0)	(75.8)	(298.4)	(70.0)	(592.4)	(140.4)	(562.7)	(133.3)
Distribution, marketing, customer relation management and retention costs	(223.5)	(52.5)	(215.9)	(50.7)	(428.7)	(101.6)	(427.0)	(101.2)
Salaries and employee-related costs	(169.3)	(39.7)	(133.7)	(31.4)	(313.1)	(74.2)	(261.5)	(62.0)
Cost of debt collection services and bad debt allowance and receivables written off	(17.6)	(4.1)	(16.3)	(3.8)	(29.5)	(7.0)	(35.6)	(8.4)
Other costs	(61.8)	(14.5)	(49.5)	(11.6)	(117.1)	(27.7)	(101.1)	(24.0)
Other operating income/(cost), net	(0.6)	(0.2)	9.9	2.3	6.1	1.4	16.7	4.0
Profit from operating activities	475.6	111.6	517.0	121.3	911.1	215.8	974.2	230.8
Gain/(loss) on investment activities, net	(45.9)	(10.8)	(14.4)	(3.4)	(49.3)	(11.7)	16.1	3.8
Financial costs, net	(98.9)	(23.2)	(113.3)	(26.6)	(171.5)	(40.6)	(298.8)	(70.8)
Share of the profit of associates accounted for using the equity method	(0.1)	-	-	0.0	5.1	1.2	-	-
Gross profit for the period	330.7	77.6	389.3	91.3	695.4	164.8	691.5	163.8
Income tax	(99.3)	(23.3)	(107.6)	(25.3)	(171.8)	(40.7)	(138.4)	(32.8)
Net profit for the period	231.4	54.3	281.7	66.1	523.6	124.1	553.1	131.0
Net profit attributable to equity holders of the Parent	235.8	55.3	291.2	68.3	536.6	127.1	570.6	135.2
Net profit/(loss) attributable to non-controlling interest	(4.4)	(1.0)	(9.5)	(2.2)	(13.0)	(3.1)	(17.5)	(4.1)
Basic and diluted earnings per share in PLN (not in millions)	0.36	0.08	0.44	0.10	0.82	0.19	0.86	0.20
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 June 30				for the 6-month period ended June 30			
	2018 *acc. to IFRS 15*		2017 *acc. to IAS 18*		2018 *acc. to IFRS 15*		2017 *acc. to IAS 18*	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
EBITDA(1)	946.4	222.1	963.7	226.2	1,836.4	435.1	1,893.2	448.6
EBITDA margin	36.4%	36.4%	39.0%	39.0%	37.1%	37.1%	39.0%	39.0%
Operating margin	18.3%	18.3%	20.9%	20.9%	18.4%	18.4%	20.1%	20.1%
Capital expenditures(2)	176.2	41.4	210.9	49.5	350.6	83.1	383.0	90.7

(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 following table presents the organizational structure of Polsat Group as at June 30, 2018 and December 31, 2017, indicating the consolidation method.

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2018	December 31, 2017
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	non-current assets and intellectual property rights management	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	telecommunication activities	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, Great Britain	TV broadcasting	100%	100%
Muzo.fm Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
Eileme 1 AB (publ)(1)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	-	100%
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, 04-028 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Plus TM Management Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights management and rental	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intellectual property rights rental	100%	100%

Company	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2018	December 31, 2017
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. Sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium-rate services	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	finance activities	(2)	(2)
Litenite Ltd.	Kostaki Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	100%
Aero2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%
AltaLog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
ESKA TV S.A.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Lemon Records Sp. z o.o.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Coltex ST Sp. z o.o.(3)	Szymanowskiego 2, 80-280 Gdańsk	telecommunication activities	100%	-
Netia S.A.(4)	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	-
Internetia Sp. z o.o.(4)	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	-
Netia 2 Sp. z o.o.(4)	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	-
TK Telekom Sp. z o.o.(4)	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	-
Telefonia Dialog Sp. z o.o.(4)	Strzegomska 142A, 54-429 Wrocław	telecommunication activities	65.98%	-
Petrotel Sp. z o.o.(4)	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	-
Eleven Sports Network Sp. z o.o. (5)	Plac Europejski 2, 00-844 Warsaw	television broadcasting	50% plus 1 share	-
Superstacja Sp. z o.o.(6)	Al. Stanów Zjednoczonych 53, 04-028 Warsaw	television broadcasting and production	100%	-
Netshare Media Group Sp. z o.o. (7)	Saska 16, 03-968 Warsaw	advertising	100%	-

Company	Registered office	Activity	Share in voting rights (%) as at June 30, 2018	Share in voting rights (%) as at December 31, 2017
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG Great Britain	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, 02-952 Warsaw	radio communications and radio diffusion	50%	50%
TV Spektrum Sp. z o.o. (8)	Dęblińska 6, 04-187 Warsaw	television broadcasting and production	49.48%	34.02%
Netia S.A.(9)	Poleczki 13, 02-822 Warsaw	telecommunication activities	-	31.76%
TVO Sp. z o.o. (10)	Batorego 28-32, 81-366 Gdynia	retail sales	45.1%	-

(1) The company was merged with Cyfrowy Polsat S.A. on April 28, 2018.
(2) Cyfrowy Polsat owns indirectly 100% of certificates.
(3) Consolidated since March 1, 2018 following the acquisition of 100% of its shares by the Group.
(4) Consolidated since May 22, 2018 as a result of obtaining control by the Group over Netia S.A. As at June 30, 2018, Cyfrowy Polsat S.A. held 43.32% of shares of Netia S.A. while Karswell Limited held 22.66% of shares of Netia S.A.
(5) Consolidated since May 25, 2018 following acquisition of 50% shares plus one share by the Group.
(6) Consolidated since June 4, 2018 following the acquisition of 100% of its shares by the Group.
(7) Consolidated since June 25, 2018 following the acquisition of 100% of its shares by the Group.
(8) On February 4, 2018 Telewizja Polsat Sp. z o.o. acquired 15.46% shares in TV Spektrum Sp. z o.o.
(9) On May 22, 2018 Cyfrowy Polsat S.A. took control over Netia S.A.
(10) On May 29, 2018 Cyfrowy Polsat Trade Marks Sp. z o.o. acquired 45.1% shares in TVO Sp. z o.o.

Additionally, the following entities were included in the consolidated financial statements for the 6-month period ended June 30, 2018:

Company	Registered office	Activity	Share in voting rights (%) as at June 30, 2018	Share in voting rights (%) as at December 31, 2017
Karpacka Telewizja Kablowa Sp. z o.o.(1)	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25e/216 10-686 Olsztyn	infrastructure project advisory	1.5%(2)	1.5%(2)
Premium Mobile S.A.	Gintrowskiego 31, 02-697 Warsaw	telecommunication activities	1%	-

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

Changes in the organizational structure of Polsat Group and their effects

From January 1, 2018 until the date of approval of this Report, i.e. August 22, 2018, the following changes were implemented in the structure of Polsat Group. These changes are the effect of acquisitions and the systematically executed process of simplifying the capital structure of the Group. The changes in the Group's structure entail, among other things, improved efficiency of financial management on the consolidated level through the simplification and streamlining of intragroup financial flows and the elimination of redundant costs. What is more, they translate into greater credibility and transparency of Polsat Group, which in turn has a positive influence on the possibilities of obtaining and using external debt financing.

Date	Description
January 12, 2018	Acquisition of 1% of shares in Premium Mobile S.A.
February 2, 2018	Acquisition of 15.46% of shares in TV Spektrum Sp. z o.o. (total shareholding increased to 49.48%).
March 1, 2018	Acquisition of 100% of shares in Coltex ST Sp. z o.o.
April 28, 2018	Registration of the cross-border merger by acquisition of Cyfrowy Polsat with Eileme 1 AB (publ).
May 22, 2018.	Acquisition of 10.33% of shares in Netia S.A.
May 25, 2018	Acquisition of 50% + 1 share in Eleven Sports Network Sp. z o.o.
May 29, 2018	Acquisition of 45.1% shares in TVO Sp. z o.o.
June 4, 2018.	Acquisition of 100% shares in Superstacja Sp. z o.o.
June 25, 2018	Acquisition of 100% share in Netshare Media Group Sp. z o.o.
July 3, 2018	Acquisition of 5.16% shares in Netia S.A.

1.2. Shareholders with qualifying holdings of shares of Cyfrowy Polsat

The following table presents shareholders of Cyfrowy Polsat S.A. holding – according to our best knowledge – at least 5% of votes at the General Meeting of Cyfrowy Polsat S.A. as at the date of approval of this Report, that is August 22, 2018. Information included in the table is based on the information received from shareholders pursuant to Art. 69 of the act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (as amended, Journal of Law 2018 item 512).

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Zygmunt Solorz, through:	366,720,780	57.34%	540,267,031	65.97%
Reddev Investments Limited (1)	298,656,832	46.70%	472,203,083	57.66%
Embud2 Sp. z o.o. Sp. K.A.	58,000,000	9.07%	58,000,000	7.08%
Karswell Limited	10,000,000	1.56%	10,000,000	1.22%
Argumenol Investment Company Limited	63,948	0.01%	63,948	0.01%
Others	272,825,236	42.66%	278,696,486	34.03%
Total	639,546,016	100.00%	818,963,517	100.00%

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

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

To the Company's best knowledge, 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. May 10, 2018 (quarterly report for the first quarter of 2018) until the date of approval of this Report, i.e. August 22, 2018.

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. August 22, 2018 as well as at the date of publication of the previous interim report, i.e. May 10, 2018 (quarterly report for the first quarter of 2018).

To the Company's best knowledge as at the date of approval of this Report, i.e. August 22, 2018, 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. August 22, 2018.

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 and fixed-line telephony, data transfer services and broadband Internet access, mainly in LTE and LTE-Advanced mobile technologies and also through the fixed-line network. We also provide a wide array of wholesale services to other telecommunication operators, television operators and broadcasters.

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

In the segment of services to individual and business customers we provide the following services: digital television transmission signal, Internet access, mobile TV, video online, mobile and fixed-line telephony services, wholesale services for other telecommunications operators as well as sales of telecommunication equipment and production of set-top boxes. As at June 30, 2018 we had over 5.7 million contract customers and companies from our Group provided a total of nearly 16.7 million active services, including 13.9 million contract RGUs (the above data does not include the activities conducted by Netia Group companies).

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

2.1. Segment of services to individual and business customers

Pay TV

Cyfrowy Polsat is the largest pay TV provider in Poland and a leading satellite platform in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services, as well as market share, providing satellite TV services to about 3.5 million subscribers. We actively expand our pay TV offer by adding additional services, such as Multiroom or paid video online subscriptions, providing almost 5.1 million pay TV services as at June 30, 2018.

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family at attractive prices. At present we provide access to about 180 TV channels, including all of Poland's main terrestrial channels as well as general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. In addition, we offer our customers access to over 80 HD channels and also provide OTT services, such as Cyfrowy Polsat GO, VOD/PPV, online video, catch-up TV and Multiroom HD services.

Currently, we are the only operator in Poland to offer our customers high quality set-top boxes manufactured in our plant in Mielec. We systematically develop the software of our set-top boxes and improve their functionality, so as to better address the changing consumer preferences and video consumption trends.

Online video

The entertainment website IPLA offered by our Group is the leader of the Polish video online streaming market, both in terms of compatibility with a broad range of end-user devices, including computers, tablets, smartphones, TV sets with Internet access, set-top boxes and game consoles, as well as in terms of the volume of available content. IPLA also enjoys one of the leading positions in terms of the number of users and the average time spent by a single user on watching streamed content.

IPLA offers the largest database of legal video content and live broadcasts and over 100 online TV channels, an average of over 200 hours of live coverage of major national and international sports events every month, a vast and regularly expanded library of feature films, TV series and television programs provided by both Polish and international licensors. IPLA offers its users access to content in the free of charge model accompanied by advertisements and the paid model, as well as the possibility to download selected content and view it offline. Above 90% of IPLA VOD content is available free of charge, whereas advertisements constitute the source of revenue.

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

Thanks to the http://www.ipla.tv website and dedicated applications the content of IPLA online television is available on a wide array of consumer devices, including computers with Windows, mobile devices powered by iOS, Android and Windows Phone, TV sets with internet connections (Samsung, LG, Sony, Panasonic, Philips, Sharp, Ikea, Toshiba, Thomson, TCL), set-top boxes (cable TV TOYA, Netia), game consoles (PlayStation 3) and Blu-ray. Since its inception IPLA's mobile app has been already downloaded more than 10 million times. In February 2018, we refreshed our IPLA website by introducing changes which made the service even more user-friendly and adjusted to users' needs.

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

Mobile and fixed-line 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 June 30, 2018 we provided over 9.6 million mobile telephony services under both the postpaid and prepaid models.

We offer a comprehensive array of mobile telecommunications services under the established umbrella brand "Plus" and our additional brand "Plush," as well as under the brands of companies belonging to Aero2 Group. Our offer includes retail services, comprising contract and prepaid voice services, as well as data transmission services encompassing basic mobile broadband services, MMS, value added services such as entertainment, information and comprehensive convergent telecommunication services for large businesses. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones, including devices which support LTE and LTE-Advanced technologies. Our retail mobile telephony offering is addressed to individual and business customers, including major corporate accounts, small and medium-sized enterprises, and the SOHO (Small Office/Home Office) segment.

We provide fixed-line telecommunications services through our subsidiary Netia, which operates based on both own telecommunications infrastructure and an access to the infrastructure of Orange Polska. The dedicated retail offering of fixed-line telephony includes both business customers, including institutions, medium and large enterprises and small companies, as well as residential customers.

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. Our LTE Internet and HSPA/HSPA+ Internet covers nearly 100% of Poland's population. Since 2016 we have been offering our customers services in the LTE-Advanced technology. This technology is being successively developed, as demonstrated by our launch of the 256 QAM and MIMO 4x4 modulation, which allows for increased transmission speed by 33% while using the same radio band. We are also pursuing aggregation of bands in two, three and, selectively, four frequencies which further contributes to increasing the capacity of our network, thus making our mobile Internet faster and more stable. Thanks to the applied technological solutions, in May 2018 the speed of out LTE-Advanced Internet ranged from 300 Mb/s to 500 Mb/s in over 300 locations. Furthermore, the tests of download transmission speed conducted in Białystok on aggregated four bands along with modulation allowed us to achieve data transfer speed above 600 Mb/s. As at June 30, 2018, we provided nearly 2.0 million mobile broadband Internet access services, mostly in the contract model.

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

Our offering is complemented by a portfolio of dedicated devices (modems, routers, tablets, laptops, ODU-IDU sets, etc.), that support LTE and LTE-Advanced technologies. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

Fixed-line broadband Internet

Through our subsidiary Netia we also provide fixed-line broadband Internet services, among others in fiber optic technologies. Netia's services are being rendered via own access networks with over 2.5 million homes passed in approximately 180 locations. They are also supported by an extensive, nationwide backbone infrastructure. Moreover, Netia offers fixed-line Internet services based on regulated access to Orange Polska's network.

Netia provides fixed-line broadband Internet services to both residential and business customers.

Services to residential customers are sold mainly in bundles with TV and voice telephony services, including a mobile offering under an MVNO model. The service offering is supplemented by a number of value added services which support ARPU levels and loyalty of the customer base. Netia Spot, a wireless WIFI router, and Netia Player, an innovative multimedia set-top box with an access to a variety of TV channels, VOD services, Internet apps and a possibility to open own multimedia files, constitute a part of a home multimedia platform which uses broadband Internet access for distribution of content to members of a household.

Broadband Internet access services for business customers are offered in fiber optic, Ethernet, xDSL and HFC technologies. They are part of a wide range of services, including traditional fixed-line telephony solutions (analogue and ISDN access), the latest IP telephony services with hosted PABX (NGN – Next Generation Network technology), Unified Communications services, video communications (video conference services in HD quality), wholesale messaging, lease of digital lines, VPN and Ethernet networks, and data center services which are addressed to companies using Internet in business solutions, running portals and news services.

Bundled services

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

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

Starting from June 2018 we have expanded our bundled services offering with services of Netia. Under a pilot project covering over 180 points of sale, the customers of Plus and Cyfrowy Polsat can purchase, with a smartDOM discount, fixed Internet access offered by Netia, along with TV services based on it, as well as fixed-line telephony services.

Wholesale business

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

Network interconnection

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

Shared access to network assets and lease of telecommunications infrastructure

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

International roaming

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

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

National roaming and virtual operators (MVNOs)

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

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

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

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

2.2. Broadcasting and television production segment

Production and sale of television channels

Our portfolio comprises 29 channels including our flagship channel POLSAT, available in SD and HD formats, and 28 thematic channels. Moreover, there is a group of 8 cooperating channels which are related with Polsat Group either by capital links or joint broadcasting projects.

The main channel POLSAT, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain the nationwide license for analogue broadcasting. POLSAT is one of the leading Polish TV channels in terms of share in the commercial audience group, totaling 11.14% in the second quarter of 2018 and 11.54% in the first half of 2018. POLSAT broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2) and on local multiplexes (MUX-L4 and MUX-TVS). Apart from terrestrial signal, POLSAT is also available in SD and HD formats in most cable networks and satellite platforms. The channel features a broad selection of films, entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.

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

Thematic channel	Description
Polsat Sport Polsat Sport HD	The first sports channel of Polsat Group broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, world class boxing and MMA contests), which include live broadcasts.
Polsat Sport Extra Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon.
Polsat Sport News HD	Sports channel dedicated to sports news. Broadcast within the DTT technology until January 1, 2017, since January 2, 2017 available only from cable and satellite networks.
Polsat Sport Fight HD	Channel dedicated to martial arts, broadcasting, among others, professional boxing galas and mixed martial arts, as well as coverages of Polsat Boxing Night.
Polsat Film Polsat Film HD	Movie channel broadcasting movie hits, top box office productions and non-mainstream movies from a library of major US movie studios.
Polsat Cafe HD	Channel dedicated to women focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play HD	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series.
Polsat 2 HD	Channel broadcasting reruns of programs that premiered on our other channels.
Polsat News HD	24-hour news channel broadcasting live shows and covering primarily news from Poland and key international events.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society, current and international affairs. Addressed to viewers interested in economics.
TV4 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 foreign formats, as well as series, entertainment programs and feature movies from Polsat's library. The channel is available in digital terrestrial television.
Polsat Romans	Channel created for and dedicated to women. The programming offer includes both feature movies as well as popular Polish and foreign series.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music.
Polsat Music (formerly MUZO.TV)	Channel broadcasting rock and pop music as well as the best video clips, both the classics and the novelties. Polsat Music is the second music channel in Polsat's programming offer.
Polsat 1	Channel addressed to Poles living abroad, broadcasts various productions form the libraries of the channels: Polsat, TV4, Polsat Cafe and Polsat Play.
Super Polsat Super Polsat HD	Channel offering entertainment and information programs, movies, series and live sports coverage. Available in digital terrestrial television.
Polsat Doku HD	Documentary channel broadcasting historical and scientific programs, addressed to viewers interested in the problems of today's world, travel and nature.
Eska TV Eska TV HD	Music and entertainment channel broadcasting the latest music clips, exclusive interviews, gossips about show biz stars and information about musical events. Available in digital terrestrial television.
Eska TV Extra Eska TV Extra HD	Channel broadcasting recent hits on time and the greatest pop music hits from the recent 20 years.
Eska Rock TV	Channel offering music defined as mainstream pop-rock, classic rock and alternative rock.
Polo TV	Channel broadcasting the greatest hits of disco polo and dance, reports from the most famous festivals of disco dance, concerts and euro disco hits, italo disco and dance music from the 80s and the 90s. Available in the DTT technology.
Vox Music TV	Music and entertainment channel broadcasting disco hits from the 80s and the 90s, italo disco, euro dance and disco polo. The channel's programming offer includes also programs devoted to pop stars and hit lists.

Thematic channel	Description
Superstacja	News and entertainment channel addressed to people who are active and curious about the world. The channel broadcasts 24 hours a day, including over 12 hours of new programs. It offers journalism in light edition. Famous politicians are being hosted in the studio. The channel's programming offer is not just politics, but also sensational news from the showbiz and sports world.
Eleven Sports 1 HD	Sports channel devoted solely to football. The most interesting live events, matches from the most interesting European leagues, championships and qualifying games. Eleven Sports 1 HD broadcasts 24 hours a day, in HD quality and with commentary in Polish.
Eleven Sports 2 HD	International television that broadcasts from large sports events and offers sports fans entertainment of the premium quality. The channel broadcasts 24 hours a day, in HD quality and with commentary in Polish.
Eleven Sports 3 HD	Channel offering the most important European football live matches. In addition, the channel presents documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1 and Eleven Sports 2 channels.
Eleven Sports 4 HD	Channel broadcasting large sports events, documentary films about sports and reruns of the most interesting events broadcasted by the Eleven Sports 1, Eleven Sports 2 and Eleven Sports 3 channels.
Channels cooperating with Cyfrowy Polsat Group (non-consolidated)	
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
CI Polsat HD	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 HD	Nature channel targeted at the entire family, which allows viewers to accompany wildlife researchers, veterinary doctors and celebrities in their journeys and develop knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History HD	Channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time; the content features historical events, that influenced the world's history. Polsat Viasat History operates based on cooperation with Viasat Broadcasting.
Fokus TV	Thematic channel of an educational and cognitive character, addressed to an entire family, broadcasted in DDT technology. Main thematic sections are knowledge, documentary and entertainment. Fokus TV's mission is to convey knowledge through fun and in an accessible way.
Nowa TV	TV station of a universal character. It airs lifestyle programs, series, news, journalistic shows and cabaret skits. Available in the DTT technology.
TV Okazje	Channel broadcasting 24 hours a day, dedicated to teleshopping and broadcasting solely spots that encourage shopping.

Sales of TV channel advertising airtime and sponsoring

Within our wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on initial data from Starcom we estimate that in the first half of 2018 Polsat Group channels captured 26.8% of the Polish TV advertising market worth approximately PLN 2.2 billion in that period while in the second quarter alone the share of the Group's channels reached 26.7% in the market valued at PLN 1.2 billion in that period.

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

Sale of channel broadcasting rights

Our channels are distributed by the majority of Polish cable networks, including such operators as UPC Polska Sp. z o.o., Multimedia Polska S.A. and Vectra S.A., and by all major satellite platforms (with the exception of selected sports channels, which are exclusive to the Cyfrowy Polsat platform), as well as using the IPTV technology (Orange Polska S.A., Netia S.A.). Our agreements with third-parties provide for a non-exclusive license of a specific duration to distribute our channels. The agreements also provide for monthly licensing fees, charged as the product of the contractual rate and the number of customers, or as fixed fees.

3. Significant events

3.1. Corporate events

Changes in the shareholding structure

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

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

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

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

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

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

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

On February 15, 2018, the Head of the Małopolska Tax Office in Cracow issued a decision assessing the tax liability from uncollected withholding corporate income tax in 2012 in the amount of PLN 24.2 million increased by interest on tax arrears. The Company informed of the decision of the tax office issued at the first instance in its current report No.11/2018 of March 5, 2018.

In the issued decision the tax authority contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the tax authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

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

After the balance sheet date, on July 10, 2018 the tax office upheld the previous decision dated February 15, 2018. The Company informed of the decision of the tax authority issued at the second instance in its current report No.27/2018 of

July 16, 2018.The Company does not agree with the decision of the tax office in question and appealed against it to the Voivodship Administrative Court in Cracow.

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

Conclusion of an amendment to the Combined SFA

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

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

Decision of the Head of the Mazovian Tax Office in Warsaw

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

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

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

Distribution of profit for 2017

On June 28, 2018 the Annual General Meeting of Cyfrowy Polsat resolved to allocate the entire net profit earned by the Company in the financial year 2017, amounting to PLN 606.0 million, to the reserve capital. The resolution of the Annual General Meeting is in line with the previous recommendation of the Company's Management Board of May 29, 2018, which received a positive opinion of the Supervisory Board on the same date.

Taking into consideration the strategic investments made by the Company and some of its subsidiaries in 2017 and 2018, which ensure the continuation of the development of the Capital Group of the Company in the long term in accordance with its key strategic goal to sustainably grow the Company's value for its shareholders as well as bearing in mind a relatively high level of the Group's indebtedness, the Management Board of the Company decided not to recommend a dividend payment from the profit for 2017. In the opinion of the Management Board, this will allow to reduce the indebtedness level of the Group, in line with the adopted strategic assumptions, and with the goal of the capital resources management policy in particular, which is to reduce in a possibly short time the total net debt ratio for the Group (net debt to EBITDA) below 1.75x. In parallel, the Management Board of the Company confirmed the dividend policy adopted on November 8, 2016.

Appointment of members of the Supervisory Board

On June 28, 2018 the Annual General Meeting of Cyfrowy Polsat resolved that the Supervisory Board of the new term will consist of seven members and appointed to the Company's Supervisory Board for a subsequent three-year term of office Mr. Józef Birka, Mr. Robert Gwiazdowski, Mr. Marek Kapuściński, Mr. Aleksander Myszka, Mr. Leszek Reksa, Mr. Tomasz Szeląg and Mr. Piotr Żak.

During its meeting held on June 28, 2018, the Supervisory Board elected Mr. Marek Kapuściński as the Chairman of the Supervisory Board and appointed its members to the Audit Committee and the Remuneration Committee. The Audit Committee comprises: Mr. Robert Gwiazdowski, Chairman of the Audit Committee, Mr. Leszek Reksa and Mr. Tomasz Szeląg. The Remuneration Committee comprises: Mr. Tomasz Szeląg, Chairman of the Remuneration Committee, and Mr. Marek Kapuściński.

3.2. Business related events

Acquisition of a stake in Netia S.A.

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

The first stage, executed on December 4 and 5, 2017, consisted in the Company purchasing in aggregate a block of shares representing 32.99% of the total number of votes at the Netia General Shareholders Meeting.

In the second stage, initiated on December 5, 2017, the Company announced a tender offer for the sale of Netia shares (the "Tender Offer"). The Tender Offer price for one share of Netia was PLN 5.77. The subscription period began on January 30, 2018 and ended on May 14, 2018. As a result of settlement of the Tender Offer, on May 17, 2018 the Company and Karswell Limited jointly acquired, based on the agreement described below, 110,702,444 shares in Netia constituting in total 32.99% of Netia's share capital and representing 32.99% of the total number votes at its general meeting. In particular, the Company acquired 34,662,045 Netia shares constituting in total 10.33% of Netia's share capital and representing 10.33% of the total number votes at its general meeting while Karswell Limited acquired 76,040,399 Netia shares constituting in total 22.66% of Netia's share capital and representing 22.66% of the total number votes at its general meeting (all percentages of shares in Netia's share capital and total number of votes at Netia's general meeting mentioned above are as at August 22, 2018, i.e., including the effect of registered changes in Netia's share capital).

More information regarding the acquisition of a controlling stake in Netia is presented in item 4.3. of the Annual Report of Cyfrowy Polsat S.A. Capital Group for the financial year ended December 31, 2017 published on March 22, 2018 and in the Company's current reports No. 16/2018 of May 11, 2018, No. 17/2018 of May 14, 2018 and No. 18/2018 of May 22, 2018.

Agreement with Karswell Limited

Provisions of the Combined SFA, concluded on September 15, 2015, permitted companies from Polsat Group to allocate a strictly limited amount of funds to acquisitions. Due to those restrictions, which were binding as at the date of the announcement of the Tender Offer, under the Tender Offer Netia shares were acquired by the Company and its affiliate – Karswell Limited.

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

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

After the balance sheet date, on July 2, 2018 the Company and Karswell executed an amendment to the Acquirers' Agreement amending it in such a way that the obligation of the Company to effect one-off acquisition of all Netia shares acquired by Karswell under the Tender Offer was replaced by the obligation of the Company to acquire said shares in subsequent instalments. On July 3, 2018 the Company repurchased from Karswell 17,331,023 Netia shares which were acquired by Karswell under the Tender Offer.

Details regarding the amendment to the Acquirers' Agreement and the acquisition of Netia shares by the Company from Karswell are presented in this Report in item 3.3 – *Significant events – Events after the balance date* and in the Company's current report No. 26/2018 of July 2, 2018.

Acquisition of sports rights by Telewizja Polsat

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

Taking control over Eleven Sports Network

On May 24, 2018 Telewizja Polsat entered into an agreement with Eleven Sports Network LTD on the acquisition of 3,340 shares in Eleven Sports Network Sp. z o.o. with its registered seat in Warsaw representing 50% + one share in the share capital of Eleven Sports Network.

Eleven Sports Network produces and distributes sports content within the territory of Poland and owns attractive sports rights which are sold as program packages to pay TV operators, including the Company, active on the Polish market. The premium sports content offered by Eleven Sports Network, including Spanish LaLiga Santander, German Bundesliga, Italian Serie A TIM, English The Emirates FA Cup, F1™ and Polish and foreign speedway, are delivered to around two million subscribers and carried by more than 100 operators and online. The acquisition of the shares constitutes a long-term strategic investment by Polsat Group. In the medium term, gaining access to the portfolio of sports rights held by Eleven Sports Network will allow to strengthen the position of the Group in the increasingly fragmented television market, while concurrently securing access to Eleven Sports Network's sports content for the Company's and other Group companies' customers within their Group.

The total price for the acquired shares was set at EUR 38 million. The Share Price is payable in two tranches. The first tranche for the shares of EUR 18 million was paid on May 25, 2018. The second tranche, adjusted for the net debt of Eleven Sports Network, was paid on July 31, 2018.

If the value of Eleven Sports Network based on the results for 2020 exceeds the amount of EUR 80 million, Telewizja Polsat will be required to pay the seller an additional earn-out payment equal to 25% of the surplus of Eleven Sports Network's value over the amount of EUR 80 million (with Eleven Sports Network's value calculated as 9x adjusted EBITDA based on the financial statements of ESN for the financial year ending June 30, 2020).

Details regarding the acquisition of shares in Eleven Sports Network by Polsat Group are presented in the Company's current report No. 20/2018 of May 24, 2018.

Development of the smartDOM program

In February 2018, we launched a refreshed edition of our strategic bundled offer, the smartDOM program, which comprises a portfolio of products and services for each home. Apart from our basic, core products and services: telephony from Plus, broadband LTE Plus and Plus Advances and Cyfrowy Polsat satellite television, smartDOM customers can also buy electric energy and gas, banking, insurance and home security services as well as telecommunication devices.

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

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

While consistently pursuing our strategy of developing integrated services for home, in June 2018 we extended the smartDOM program by new products – this time by services offered by Netia: fast, fixed-line Internet access, mainly in fiber optic technologies, as well as TV services which are based on it, and fixed-line voice services. Under the pilot project, Netia services are available in over 180 points of sale, with the coverage ultimately expanding to the bigger part of Cyfrowy Polsat Group's sales network.

Introduction of new TV offerings including the Polsat Sport Premium package

In July 2018 we offered our customers a new sports package "Polsat Sport Premium", thanks to which starting from the new 2018/2019 season club football fans will be able to enjoy, for the first time in Poland, live coverage of all the UEFA Champions League matches as well as watch the UEFA Europa League games. The package consists of two Super HD channels, i.e. Polsat Sport Premium 1 and Polsat Sport Premium 2, as well as 4 premium PPV services. Each match day means approximately 8 hours of daily live broadcasts (studio commentaries and matches) and a rich offer of accompanying programs: commentaries before and after the matches, in-depth analyses, reporting, interviews, experienced experts and commentators, special guests. The programs will be broadcasted from a new studio designed specifically for the UEFA Champions League and the UEFA Europa League tournaments, which is equipped with a 4x4K video wall and visual realization relying on state-of-the-art technologies – augmented reality (AR) and 3D models.

Polsat Group has acquired exclusive rights to broadcast over 1000 matches of UEFA Champions League and UEFA Europa League for three consecutive seasons (from 2018 to 2021) in all distribution channels, including TV, the Internet and mobile devices.

The football matches will be available to Cyfrowy Polsat subscribers, Plus mobile network customers as well as to the users of IPLA web TV. For viewers of Cyfrowy Polsat, the new Polsat Sport Premium package will be available in bundles with basic packages at monthly prices ranging from PLN 50 to PLN 120 for a two-year contract. The prices of bundles with IPLA Polsat Sport Premium package in Plus mobile network will range from PLN 70 to PLN 90 per month for a two-year contract. In case of IPLA web service, the package will be available, also for external customers, in two variants: as a whole season subscription at PLN 360 and as a 7-day access at PLN 40.

The Polsat Sport Premium channels are to be broadcast in Poland by part of competing paid TV platforms, including the operator of nc+, UPC cable TV or Netia, a company from Polsat Group. In this case, Polsat Group's revenue of will comprise wholesales fees borne by the above mentioned operators to gain a possibility to broadcast the Polsat Sport Premium channels.

3.3. Events after the balance date

Execution of an amendment to the agreement on the joint acquisition of Netia shares in a Tender Offer and acquisition of Netia shares from Karswell

On 2 July 2018 Cyfrowy Polsat and Karswell entered into an amendment to the Agreement on the Joint Acquisition of Shares in a Tender Offer and Preliminary Share Purchase Agreement of December 5, 2017 (see item 3.2 above), which amends the Acquirers' Agreement in such way that the obligation of Cyfrowy Polsat to effect one-off acquisition of all Netia shares acquired by Karswell under the Tender Offer was replaced by the obligation of Cyfrowy Polsat to acquire said shares in subsequent instalments.

On July 3, 2018 Cyfrowy Polsat acquired from Karswell in an OTC transaction 17,331,023 Netia for the aggregate purchase price of PLN 100.0 million (i.e. PLN 5.77 for one share) equal to the price for which Karswell acquired said shares under the Tender Offer.

Additionally, pursuant to the Acquirers' Agreement Cyfrowy Polsat paid Karswell the total amount of PLN 1.2 million as additional remuneration.

Following the transaction the total number of Netia shares held by Cyfrowy Polsat and Karswell remained unchanged. Cyfrowy Polsat and Karswell hold jointly 221,404,885 Netia shares constituting in total 65.98% of the share capital of Netia and carrying the right to 221,404,885 votes at the general meeting of Netia, as well as representing 65.98% of the total number of votes at Netia's general meeting.

Details regarding the amendment to the Acquirers' Agreement and the acquisition of Netia shares by the Company from Karswell are presented in the Company's current report No. 26/2018 of July 2, 2018.

4. Operating and financial review of Polsat Group

4.1. Operating review of the Group

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

Please note that the ARPU figure for the first half and for the second quarter of 2018 does not include the impact of the implementation of IFRS 15 *Revenue from Contracts with Customers* and was calculated based on the accounting standard in force until December 31, 2017 (IAS 18 in particular). Such an approach is intended to ensure comparability of figures given that the Company has decided to apply IRFS 15 retrospectively without restating the figures for the comparative periods.

The Group plans to modify the method of calculating ARPU in the future in order to adjust it to the requirements of IFRS 15. Applying IFRS 15 shall change the allocation between revenue from the sale of the equipment and retail revenue (a higher portion of total compensation shall be attributed to the equipment delivered in advance), which shall result in a decrease of ARPU. When implementing IFRS 15, contract ARPU would amount to PLN 82.9 in the second quarter of 2018 and PLN 81.9 in the first quarter of 2018, increasing by 2.1% and 2.0%, respectively, as compared to PLN 81.2 in the second quarter of 2017 and PLN 80.3 in the first quarter of 2017. A decrease in reported ARPU shall result from allocating a portion of revenue from customers from the item “Retail revenue” to the item “Revenue from the sale of equipment”, without any impact on our daily operations.

Please note that the operational indicators (KPIs) for the second quarter and for the first half of 2018 presented below do not include operational results of Netia Group over which Cyfrowy Polsat Group took control effective May 22, 2018.

	for the 3-month period ended June 30		change / %	for the 6-month period ended June 30		change / %
	2018	2017		2018	2017	
SEGMENT OF SERVICES TO INDIVIDUAL AND BUSINESS CUSTOMERS						
Total number of RGUs (EOP) (contract + prepaid)	16,698,622	16,273,840	2.6%	16,698,622	16,273,840	2.6%
Contract services						
Total number of RGUs (EOP), incl.	13,929,804	13,419,539	3.8%	13,929,804	13,419,539	3.8%
Pay TV, incl.	5,027,520	4,835,534	4.0%	5,027,520	4,835,534	4.0%
Multiroom	*1,127,285*	*1,058,982*	*6.4%*	*1,127,285*	*1,058,982*	*6.4%*
Mobile telephony	7,098,239	6,810,999	4.2%	7,098,239	6,810,999	4.2%
Internet	1,804,045	1,773,006	1.8%	1,804,045	1,773,006	1.8%
Number of customers (EOP)	5,724,492	5,819,386	(1.6%)	5,724,492	5,819,386	(1.6%)
ARPU per customer acc. to IFRS 15 [PLN]	82.9	81.2	2.1%	n/a	n/a	n/a
ARPU per customer acc. to IAS 18 [PLN]	89.6	89.6	n/a	89.1	89.3	(0.2%)
Churn per customer	8.3%	8.6%	(0.3 pp)	8.3%	8.6%	(0.3 pp)
RGU saturation per one customer	2.43	2.31	5.2%	2.43	2.31	5.2%
Average number of RGUs, incl.	13,858,205	13,379,081	3.6%	13,800,008	13,346,525	3.4%
Pay TV, including:	5,013,604	4,817,543	4.1%	4,988,717	4,799,611	3.9%
Multiroom	*1,121,333*	*1,051,692*	*6.6%*	*1,114,824*	*1,040,493*	*7.1%*
Mobile telephony	7,036,346	6,790,804	3.6%	6,999,965	6,780,091	3.2%
Internet	1,808,255	1,770,734	2.1%	1,811,326	1,766,823	2.5%
Average number of customers	5,732,091	5,828,405	(1.7%)	5,746,215	5,850,461	(1.8%)
Prepaid services						
Total number of RGUs (EOP), including:	2,768,818	2,854,301	(3.0%)	2,768,818	2,854,301	(3.0%)
Pay TV	59,722	57,183	4.4%	59,722	57,183	4.4%
Mobile telephony	2,545,749	2,616,592	(2.7%)	2,545,749	2,616,592	(2.7%)
Internet	163,347	180,526	(9.5%)	163,347	180,526	(9.5%)
ARPU per total prepaid RGU [PLN]	20.4	20.5	(0.5%)	20.2	19.6	3.1%
Average number of RGUs, including:	2,771,707	2,882,155	(3.8%)	2,780,700	2,966,380	(6.3%)
Pay TV	69,503	69,132	0.5%	63,862	58,895	8.4%
Mobile telephony	2,536,844	2,631,773	(3.6%)	2,547,509	2,716,070	(6.2%)
Internet	165,360	181,250	(8.8%)	169,329	191,415	(11.5%)
BROADCASTING AND TELEVISION PRODUCTION SEGMENT						
Audience share	24.2%	24.3%	(0.1 pp)	24.0%	23.9%	0.1 pp
Advertising market share	26.7%	27.6%	(0.9 pp)	26.8%	26.7%	0.1 pp

4.1.1. Segment of services to individual and business customers

As at June 30, 2018, in the segment of services to individual and business customers our Group provided a total of 16,698,622 services in the contract and prepaid models, which represents 2.6% growth YoY. It is worth emphasis that the share of contract services in the total number of services that we provide is growing consistently, and has reached the level of 83.4% at the end of the second quarter of 2018, as compared to 82.5% recorded at the end of the second quarter of 2017. In the first half and in the second quarter of 2018 we recorded a YoY growth in the number of all our core services provided in the contract model, i.e. pay TV, mobile telephony services, and mobile broadband. At the same time, following several quarters of visible pressure resulting from the entry into force of legal regulations obligating customers of all mobile networks to register prepaid SIM cards, we observe stabilization of the number of provided prepaid services at high growth dynamics of ARPU.

Contract services

As at June 30, 2018, we provided contract services to a total of 5,724,492 customers, i.e. 1.6% less compared to 5,819,386 customers the Group had as at June 30, 2017. The main reason behind the decline of the contract customer base was the merging of contracts under one common contract for the household, which is reflected in the growing RGU saturation per customer ratio (increase by 5.2% YoY). In line with our strategic assumptions, we avoid conducting an aggressive sales policy on individual products and focus rather on increasing customer loyalty, in particular through offering a wide portfolio of bundled services, as well as on increasing ARPU per contract customer.

The number of contract services provided by us increased by 510,265 in the last 12 months, that is by 3.8%, to 13,929,804 as at June 30, 2018, from 13,419,539 as at June 30, 2017. We recorded growth in the number of all types of services provided in the contract model. The number of pay TV services provided in the contract model amounted to 5,027,520 as at June 30, 2018, which constitutes an increase by 191,986, or 4.0%, compared to 4,835,534 as at June 30, 2017. This increase is mainly due to the growing popularity of our Multiroom service (YoY increase by over 68 thousand, to over 1.1 million RGUs) and to dynamically increasing sales of paid OTT services. The number of provided mobile telephony services in the contract model increased by 287,240, or 4.2%, reaching the level of 7,098,239 as at June 30, 2018, up from 6,810,999 as at June 30, 2017. This growth was driven by the successful implementation of our strategy of cross-selling and the introduction in February 2018 of new, attractive tariff plans addressed to contract customers, as well as by high demand among business customers for m2m services. In terms of mobile broadband, as at June 30, 2018, we provided 1,804,045, RGUs in the contract model, that is by 31,039, or 1.8%, more than as at June 30, 2017, when we provided 1,773,006 such services. Slower growth dynamics is associated, among others, with the gradual saturation of the market with dedicated mobile Internet access services and constantly growing popularity of data transmission in mobile telephony tariff plans (smartphones). As at June 30, 2018, every customer in our base had on average 2.43 contract services, which constitutes an increase of 5.2% compared to 2.31 contract services per customer as at June 30, 2017. We believe that further saturation of our customer base with integrated services, including our flagship product smartDOM to which we consistently add new products, will positively influence the growth of the number of contract RGUs provided by us in the future.

In line with the assumptions of our long-term strategy we aim to maximize revenue per contract customer through cross-selling, i.e., selling additional products and services to the customer base of Cyfrowy Polsat and Polkomtel, among others within the framework of our bundled services offer, which has a positive impact on ARPU per contract customer. In the first half of 2018, average revenue per contract customer remained nearly unchanged, decreasing by 0.2% to PLN 89.1, from PLN 89.3 in the first half of 2017. In the second quarter of 2018 the average revenue per contract customer was at the same level as in the second quarter of 2017 and amounted to PLN 89.6. After applying the currently effective IFRS 15 standard, reported contract ARPU amounted to PLN 82.9 in the second quarter of 2018, growing YoY by 2.1% compared to PLN 81.2 in the second quarter of 2017. ARPU dynamics between the analyzed periods continued to be negatively impacted by the levelling of retail roaming charges with domestic fees across the European Economic Area as of June 15, 2017 (the *Roam Like at Home* regulation). We anticipate that this impact will cease to adversely affect the rate of growth of contract ARPU in the quarters to come.

Our churn rate amounted to 8.3% in the twelve-month period ended June 30, 2018, decreasing by 0.3 p.p. as compared to 8.6% in the twelve-month period ended June 30, 2017. This is primarily the effect of the high level of loyalty of our customers of bundled services resulting from the successful implementation of our multiplay strategy.

Our bundled services offer, based on a mechanism of offering attractive rebates on every additional product or service purchased from the Group's portfolio, remains very popular and continues to record very good sales results, which has a positive effect on the churn rate, RGU saturation per customer rate and ARPU per contract customer. It is also the best recognized convergent offering on the Polish market (according to the GFK survey from January 2018). At the end of June 2018, already 1,655,112 customers were using our bundled services, which constitutes an increase of 280,830 customers, or 20.4%, YoY. This means that the saturation of our contract customer base with multiplay services was at the level of 28.9% at the end of June 2018. This group of customers had a total of 4,939,113 RGUs, that is by 852,588, or 20.9%, more than in the corresponding period of 2017. In the first quarter of 2018, we lifted entry thresholds for the smartDOM program, thus making our bundled services offering available to all customers on identical terms, which translated positively into the dynamics of growth of our multiplay services customer base and blended ARPU level for the total customer base. Bearing in mind the long-term goal of our Group - the maximization of revenue per contract customer through cross-selling - our bundled services offer is perfectly in line with our strategy.

Prepaid services

The number of prepaid services provided by us as at June 30, 2018 decreased by 85,483, that is by 3.0%, to 2,768,818 from 2,854,301 as at June 30, 2017. The regulation implemented by the policymaker in 2016 imposed an obligation on customers to register newly purchased prepaid SIM cards which led to a significant decline in the number of new activations on the entire market. In parallel, thanks to the continuous unification of prices between tariff plans for the contract and prepaid customers, a significant portion of them decided to use the contract services offering.

In the first half of 2018, average revenue per prepaid RGU (prepaid ARPU) increased by 3.1%, to PLN 20.2 from PLN 19.6 in the first half of 2017. In the second quarter of 2018, average revenue per prepaid RGU (prepaid ARPU) amounted to PLN 20.4 as compared to PLN 20.5 in the corresponding period of 2017. The observed stabilization of ARPU in the prepaid services segment is in line with our expectations.

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 television broadcasting and production activities. The following tables set forth these key performance indicators for the relevant periods.

Audience shares

	3 months ended June 30		*change [pp]*	6 months ended June 30		*change [pp]*
	2018	2017		2018	2017	
Audience share[(1) (2)], including:	24.16%	24.25%	*(0.09)*	24.03%	23.90%	*0.13*
POLSAT (main channel)	*11.14%*	*12.61%*	*(1.47)*	*11.54%*	*12.66%*	*(1.12)*
Thematic channels	*13.01%*	*11.64%*	*1.37*	*12.49%*	*12.24%*	*0.25*
TV4	4.11%	4.10%	0.01	3.94%	4.03%	(0.09)
TV6	1.41%	1.53%	(0.12)	1.41%	1.61%	(0.20)
Polsat 2	1.37%	1.51%	(0.14)	1.33%	1.38%	(0.05)
Super Polsat[(3)]	1.02%	0.79%	0.23	0.97%	0.78%	0.19
Polsat News	0.72%	0.76%	(0.04)	0.68%	0.73%	(0.05)
Polsat Film	0.62%	0.79%	(0.17)	0.66%	0.77%	(0.11)
Polsat Play	0.52%	0.58%	(0.06)	0.50%	0.57%	(0.07)
Polsat Cafe	0.29%	0.42%	(0.13)	0.30%	0.42%	(0.12)
Polsat Sport	0.31%	0.47%	(0.16)	0.23%	0.34%	(0.11)
Disco Polo Music	0.21%	0.23%	(0.02)	0.19%	0.20%	(0.01)
Polsat Romans	0.12%	0.12%	-	0.12%	0.12%	-
Polsat Sport Extra	0.08%	0.10%	(0.02)	0.06%	0.09%	(0.03)
Polsat Music HD[(4)]	0.05%	0.05%	-	0.05%	0.04%	0.01
Polsat News 2	0.05%	0.08%	(0.03)	0.04%	0.09%	(0.05)
Polsat Sport News HD[(5)]	0.04%	0.04%	-	0.04%	0.04%	-
Polsat Doku[(6)]	0.04%	0.04%	-	0.04%	0.03%	0.01
Polsat Sport Fight	0.03%	0.03%	-	0.03%	0.03%	0.00
Polsat 1[(7)]	n/a	n/a	n/a	n/a	n/a	n/a
Channels acquired in 2017[(8)]						
Polo TV	0.93%	1.24%	*(0.31)*	0.87%	1.15%	*(0.28)*
Eska TV	0.87%	0.57%	*0.30*	0.82%	0.51%	*0.31*
Eska TV Extra	0.09%	0.12%	*(0.03)*	0.09%	0.10%	*(0.01)*
Vox Music TV	0.09%	0.06%	*0.03*	0.08%	0.06%	*0.02*
Eska Rock TV	0.01%	0.01%	-	0.01%	0.01%	-
Channels acquired in 2018[(9)]						
Eleven Sports 1	0.14%	0.10%	0.04	0.13%	0.07%	0.06
Superstacja	0.06%	0.08%	(0.02)	0.07%	0.09%	(0.02)
Eleven Sports 2	0.04%	0.06%	(0.02)	0.06%	0.05%	0.01
Eleven Sports 3[(7)]	n/a	n/a	n/a	n/a	n/a	n/a
Eleven Sports 4[(7)]	n/a	n/a	n/a	n/a	n/a	n/a
Advertising market share[(10)]	26.70%	27.57%	*(0.9 pp)*	26.80%	26.70%	*0.1 pp*

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)						
Fokus TV	0.90%	0.74%	0.16	0.93%	0.79%	0.14
Nowa TV	0.30%	0.19%	0.11	0.29%	0.18%	0.11
Polsat Viasat History	0.11%	0.16%	(0.05)	0.11%	0.16%	(0.05)
CI Polsat	0.16%	0.21%	(0.05)	0.13%	0.16%	(0.03)
Polsat JimJam	0.07%	0.12%	(0.05)	0.08%	0.16%	(0.08)
Polsat Viasat Explore	0.12%	0.12%	-	0.10%	0.12%	(0.02)
Polsat Viasat Nature	0.04%	0.02%	0.02	0.03%	0.02%	0.02
TV Okazje(7)	n/a	n/a	n/a	n/a	n/a	n/a

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 not included in the telemetric panel.
8) Channels included in Polsat Group's portfolio on December 4, 2017, data for the entire analyzed period.
9) Channels included in Polsat Group's portfolio in June 2018.
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 second quarter of 2018 amounted to 24.16% and decreased by nearly 0.1 p.p. on a year-on-year basis. The decrease was associated with a relatively lower viewership of the main channel while audience shares of our thematic channels continued to grow steadily. A negative impact on Polsat Group's viewership figures in the second quarter of 2018 was coming mainly from The FIFA World Cup 2018 Russia tournaments aired on open stations of TVP, the public service broadcaster, in June and July 2018.

The audience share in the commercial group (all viewers aged 16-49, including Live+2, i.e. 2 additional days of time-shifted viewing) for the entire Polsat Group in the first half of 2018 amounted to 24.03% and increased slightly above 0.1 p.p. on a year-on-year basis.

Our thematic channels recorded a year-on-year increase in both the second quarter of 2018 (by 1.4 p.p. to the level of 13.0%) and in the first half of 2018 (by nearly 0.3 p.p. to the level of 12.5%). Comparing the first half of 2018 with the corresponding period of 2017, it can be seen that the channels acquired in December 2017 - Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV – strongly support the viewership results of our thematic channels. Besides, it is worth mentioning the consistently growing audience share of Super Polsat channel which was launched in January 2017.

Both in the second quarter and the first half of 2018, viewers in the commercial group were attracted by the fixed slots on our main channel's schedule. Premier episodes of the TV series *First Love* turned out to be very popular, gaining an audience share of 18.1% in the second quarter and 18.0% in the first half of 2018. Monday's film slot *Mega Hit* had an audience share of 14.6% in the second quarter and 15.0% in the first half of 2018.

The news program broadcast daily at 6.50 p.m., *The News*, maintained high viewership figures with an audience share of 16.1% in the second quarter and 16.7% in the first half of 2018. The morning block of news and information programs, *New day with Polsat News*, broadcast daily from Monday to Friday, is worth mentioning. This block had an audience share of 19.0% in the second quarter and 18.4%% in the first half of 2018.

The results of the second quarter and the first half of 2018 were significantly influenced by programs from the season programming. A large audience was gathered by the show *Your Face Sounds Familiar.* The Saturday slots dedicated to this show had an audience share of 13.2% in the second quarter and 14.1% in the first half of 2018. Another position in our scheduling, the show *Our New House*, gathered on average 13.0% of viewers both in the second quarter and in the first half of 2018. The resumed show *Dancing with the Stars* was watched by 12.8% of audience in the second quarter and by 14.0% of viewers in the first half of 2018. *Live Cabaret* entertainment series, broadcast on Sunday evenings, had an audience share of 15.1% in the second quarter and 15.2% in the first half of 2018. The reality show *Marry me* gained an audience share of 11.1% both in the second quarter and in the first half of 2018.

Moreover, it is worth noticing the results of broadcast series. The series *World According to the Kiepski Family* was popular with an audience share of 10.6% in the second quarter and 11.5% in the first half of 2018. The spring season of the series *Girlfriends* gained 14.5% in audience share in the second quarter and 14.2% in the first half of 2018. Another popular series was *In the Heart's Rhythm* with a 11.7% share in the second quarter and 11.9% share in the first half of 2018.

Cabaret and entertainment shows were highly popular in the second quarter of 2018. In particular, it is worth noticing the audience share of *Polsat Superhit Festiwal 2018* broadcast on May 27, 2018 which attracted 28.9% of viewers. Other programs worth mentioning include *Kabaret Skeczów Męczących Radio Muzyka Żarty* of April 1, 2018 which gathered 19.7% of audience and *XII Płocka Noc Kabaretowa* of May 6, 2018, with an audience share at the level of 19.6%.

In the first half of 2018 a significant audience, at the level of of 20.5%, was also gained by *The Cabaret Night at Opole – 800 years of Opole* aired on January 7, 2018. The cabaret *Paranienormalni Cabaret - The Joke is Over* of February 18, 2018 gained an 18.2% share while the *Świętokrzyska Cabaret Gala* of January 21, 2018 had a 17.3% share.

Advertising and sponsoring market share

According to preliminary estimates of Starcom media house, expenditures on TV advertising and sponsoring in the first half of 2018 amounted to PLN 2.2x billion, increasing year-on-year by 8.7%. Based on these data, we estimate that in the second quarter of 2018 our TV advertising market share increased year-on-year to 26.8% from 26.7%. In the second quarter of 2018, expenditures on TV advertising and sponsoring amounted to PLN 1.2 billion, which constitutes an increase of 7.9% year-on-year. Our TV ad market share decreased by 0.9 percentage points to 26.7% in the second quarter of 2018 from 27.6% in the corresponding period of 2017, mainly resulting from The FIFA World Cup 2018 Russia tournaments aired on open stations of TVP, the public service broadcaster, in June and July 2018.

If we compare the current portfolio of Polsat Group's channels, we generated 1.46% more GRPs in the first half of 2018 compared to the corresponding period of 2017.

Distribution and technical reach

Technical reach[(1)]	3 months ended June 30		*change [pp]*	6 months ended June 30		*change [pp]*
	2018	2017		2018	2017	
Polsat	100.0%	100.0%	-	100.0%	100.0%	-
TV4	100.0%	99.9%	*0.10*	100.0%	99.9%	*0.10*
Eska TV[(2)]	98.1%	97.6%	*0.50*	98.0%	97.5%	*0.50*
Polo TV[(2)]	98.2%	97.4%	*0.80*	98.0%	97.1%	*0.90*
Super Polsat[(3)]	97.4%	96.6%	*0.80*	97.3%	96.1%	*1.20*
TV6	96.0%	95.7%	*0.30*	95.9%	95.5%	*0.40*
Polsat 2	61.7%	63.3%	*(1.60)*	62.0%	63.1%	*(1.10)*
Polsat News 2	59.5%	58.0%	*1.50*	59.8%	57.6%	*2.20*
Eska TV Extra[(2)]	58.4%	54.8%	*3.60*	58.6%	53.6%	*5.00*
Superstacja	56.6%	58.4%	*(1.80)*	56.8%	58.3%	*(1.50)*
Polsat News	55.5%	56.6%	*(1.10)*	55.7%	56.3%	*(0.60)*
Polsat Cafe	54.9%	56.1%	*(1.20)*	55.0%	56.0%	*(1.00)*
Polsat Film	53.9%	52.7%	*1.20*	54.3%	52.6%	*1.70*
Polsat Play	52.8%	50.9%	*1.90*	53.0%	50.6%	*2.40*
Vox Music TV[(2)]	55.0%	34.5%	*20.50*	51.9%	34.1%	*17.80*
Polsat Romans	49.7%	47.8%	*1.90*	49.7%	47.0%	*2.70*
Disco Polo Music	48.8%	48.3%	*0.50*	48.8%	48.0%	*0.80*
Polsat Music HD[(4)]	48.4%	42.4%	*6.00*	48.4%	42.5%	*5.90*
Polsat Sport	46.1%	47.7%	*(1.60)*	46.1%	47.5%	*(1.40)*
Eska Rock TV[(2)]	45.6%	n/a	*n/a*	42.5%	n/a	*n/a*
Polsat Sport Extra	35.8%	36.4%	*(0.60)*	35.9%	36.2%	*(0.30)*
Polsat Sport News HD[(5)]	29.0%	28.5%	*0.50*	29.8%	27.2%	*2.60*
Polsat Doku[(6)]	27.4%	22.7%	*4.70*	26.9%	18.6%	*8.30*
Polsat Sport Fight	17.7%	12.0%	*5.70*	18.0%	11.5%	*6.50*
Eleven Sports 2	12.2%	7.3%	*4.90*	14.2%	6.6%	*7.60*
Eleven Sports 1	12.2%	6.3%	*5.90*	13.9%	5.8%	*8.10*
Polsat 1[(7)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 3[(8)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*
Eleven Sports 4[(8)]	n/a	n/a	*n/a*	n/a	n/a	*n/a*

Channels cooperating with Cyfrowy Polsat Group (non-consolidated)						
Fokus TV	97.7%	96.6%	*1.10*	97.5%	96.3%	*1.20*
Nowa TV	77.4%	65.7%	*11.70*	76.5%	63.7%	*12.80*
Polsat Viasat History	50.1%	49.8%	*0.30*	49.0%	50.2%	*(1.20)*
Polsat JimJam	44.8%	45.7%	*(0.90)*	45.0%	45.7%	*(0.70)*
Polsat Viasat Nature	45.0%	44.1%	*0.90*	43.9%	44.0%	*(0.10)*
Polsat Viasat Explore	45.8%	44.0%	*1.80*	44.2%	44.2%	-
CI Polsat	40.0%	40.6%	*(0.60)*	40.2%	40.5%	*(0.30)*
TV Okazje(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 included in Polsat Group's portfolio from December 4, 2017.
3) Channel broadcasting in DTT since January 2, 2017, replaced Polsat Sport News.
4) Channel broadcast since May 26, 2017, replaced MUZO.TV.
5) Channel available only in cable and satellite networks since January 2, 2017 under the name "Polsat Sport News HD".
6) Channel broadcast since February 10, 2017, data for the broadcasting period.
7) Channel broadcast outside of Poland, not included in the telemetric survey.
8) Channel not included in the telemetric survey.

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. The largest increase in technical reach was observed in case of Vox Music TV and Eska TV Extra (through adding them to the program offerings of further TV operators following their inclusion to the Group's portfolio). Besides, when comparing data for the analyzed periods of 2018 with the corresponding periods of 2017 it is worth noticing the increases in reach of other stations, such as Polsat Music HD, Polsat Sport Fight, Polsat Sport News HD, Polsat Doku as well as Polsat Romans. These represent the latest channels in our portfolio which can be accessed by the growing shares of the Polish audience.

4.2. Key positions in the consolidated income statement

Revenue

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

Retail revenue

Retail revenue consists primarily of:

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

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

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

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

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

(vi) activation fees;

(vii) penalties; and

(viii) fees for additional services.

The total revenue from pay digital television and telecommunication subscription fees depends on the number of customers and the number of services provided to them, as well as on the amount of monthly subscription fees paid for our programming and telecommunication packages and the amount of additional services provided to our customers in the given period. Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilized or forfeited. Activation fees are collected at the moment of activation and amortized over the life of the contract.

Wholesale revenue

Our wholesale revenue comprises:

(i) advertising and sponsorship revenue;

(ii) revenue from cable and satellite operator fees;

(iii) revenue from the lease of infrastructure;

(iv) interconnect revenue;

(v) revenue from roaming;

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

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

(viii) revenue from Premium rate services.

Sale of equipment

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

Other revenue

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

Operating costs

Operating costs consist of:

(i) content costs;

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

(iii) depreciation, amortization, impairment and liquidation;

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

(v) salaries and employee-related costs;

(vi) cost of equipment sold;

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

(viii) other costs.

Content costs

Content costs consist of:

(i) programming license costs;

(ii) amortization of purchased film licenses;

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

(iv) other content costs.

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

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

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

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of:

(i) commissions due to authorized retail points of sale as remuneration for concluded agreements with our customers for pay television and telecommunication services;

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

(iii) costs of warranty service; and

(iv) costs of maintenance of points of sales.

Marketing expenses consist of expenses on TV and radio commercials, press, online and outdoor advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition.

Customer relation management and retention costs consist of mailing costs, call center costs and other customer relation management costs.

Depreciation, amortization, impairment and liquidation

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

(i) depreciation of network systems components and telecommunication network equipment (access and core network equipment, network management systems and software, fiber optic cables, etc.);

(ii) amortization of costs of telecommunications concessions;

(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, 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 debts.

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

(vii) 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 three- and six-month periods ended June 30, 2018 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2018, prepared in accordance with International Financial Reporting Standards as approved for use by the European Union and based on internal analysis.

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

Starting from January 1, 2018, the Group is obligated to apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The Group has decided to apply IFRS 15 retrospectively without restating the comparative figures for 2017. In order to ensure full comparability of the data for the three- and six-month periods ended June 30, 2017 and June 30, 2018, financial figures in the income statement for the three- and six-month periods ended June 30, 2018 have been presented in two ways:

- in accordance with IAS 18 binding until December 31, 2017 and excluding financial results of Netia Group over which the Company took control effective May 22, 2018, and
- and in accordance with IFRS 9 and IFRS 15 applicable from January 1, 2018 and including the financial results of Netia Group for the consolidated period.

In the Management Board's opinion, when analyzing operational and financial results of the Group year-on-year, above all the comparability of applied accounting standards should be maintained. In particular, comparing the financial results for 2018, presented in accordance with IFSR 9 and IFRS 15, with the financial results for 2017, presented in accordance with the accounting standard binding before January 1, 2018 (IAS 18), would lead, in the Management Board's opinion, to drawing the wrong conclusions concerning the Group's financial results.

It should be noted that the financial data for the three- and six-month periods ending June 30, 2018 and June 30, 2017 are not fully comparable due to the disposal of LTE Holdings Limited on June 19, 2017, the acquisition of 51% of shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) on September 7, 2017, the acquisition of 100% of shares in Eska TV S.A. and Lemon Records Sp. z o.o. on December 4, 2017, the acquisition of 34.02% and later 15.46% of shares in TV Spektrum Sp. z o.o. on December 4, 2017 and February 2, 2018, respectively, the acquisition of 31.76% of shares of Netia S.A. on December 5, 2017 and additional 10.33% shares of Netia S.A. on May 22, 2018, the disposal of shares in New Media Ventures Sp. z o.o. on December 8, 2017, the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018, the acquisition of 50% plus one share in Eleven Sports Network Sp. z o.o. on May 25, 2018, the acquisition of 45,1% shares in TVO Sp. z o.o. on May 29, 2018, the acquisition of 100% shares in Superstacja Sp. z o.o. on June 4, 2018 and the acquisition of 100% shares in Netshare Media Group Sp. z o.o. on June 25, 2018. Furthermore, the comparability of figures presented below is affected by the retrospective implementation from January 1, 2018 of IFRS 9 and IFRS 15 without the restatement of the comparative figures.

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

4.3.1. Income statement analysis

Review of financial results for the second quarter of 2018 and 2017

[mPLN]	Results acc. to IFRS 15 incl. Netia Group	Results acc. IAS 18 binding until December 31, 2017 excl. Netia Group			
	for the 3 month period ended June 30, 2018	for the 3 month period ended June 30		change	
		2018	2017	[mPLN]	[%]
Revenue	2,603.2	2,476.9	2,469.9	7.0	0.3%
Total operating cost	(2,127.0)	(1,986.5)	(1,962.8)	(23.7)	1.2%
Other operating income, net	(0.6)	(1.9)	9.9	(11.8)	(119.2%)
Profit from operating activities	475.6	488.5	517.0	(28.5)	(5.5%)
Gain/(loss) on investment activities, net	(45.9)	(34.4)	(14.4)	(20.0)	138.9%
Financial costs, net	(98.9)	(98.8)	(113.3)	14.5	(12.8%)
Share of the profit of associates accounted for using the equity method	(0.1)	(0.1)	-	(0.1)	-
Gross profit for the period	330.7	355.2	389.3	(34.1)	(8.8%)
Income tax	(99.3)	(102.1)	(107.6)	5.5	(5.1%)
Net profit for the period	231.4	253.1	281.7	(28.6)	(10.2%)
EBITDA	*946.4*	*927.6*	*963.7*	*(36.1)*	*(3.7%)*
EBITDA margin	*36.4%*	*37.5%*	*39.0%*	-	-

Revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, our total revenue increased by PLN 7.0 million, or 0.3%, to PLN 2,476.9 million in the second quarter of 2018 from PLN 2,469.9 million in the second quarter of 2017. The increase in revenue was triggered by factors described below.

In accordance with IFRS 15 and including Netia Group's results, our total revenue amounted to PLN 2,603.2 million in the second quarter of 2018.

[mPLN]	Results acc. to IFRS 15 incl. Netia Group	Results acc. IAS 18 binding until December 31, 2017 excl. Netia Group			
	for the 3 month period ended June 30, 2018	for the 3 month period ended June 30		change	
		2018	2017	[mPLN]	[%]
Retail revenue	1,482.1	1,483.8	1,533.3	(49.5)	(3.2%)
Wholesale revenue	738.5	708.5	652.3	56.2	8.6%
Sale of equipment	341.7	239.0	243.3	(4.3)	(1.8%)
Other revenue	40.9	45.6	41.0	4.6	11.2%
Revenue	2,603.2	2,476.9	2,469.9	7.0	0.3%

Retail revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, retail revenue decreased by PLN 49.5 million, or 3.2%, to PLN 1,483.8 million in the second quarter of 2018, from PLN 1,533.3 million in the second quarter of 2017, primarily due to lower revenue from voice services. The erosion of revenue from voice services resulted, among others, from the full implementation of the *Roam Like at Home* regulation, which imposed the levelling of retail roaming charges with domestic charges from June 2017, and the change in the model of offering equipment to retail customers (payment for equipment, previously included in subscription fees, is currently recognized as revenue from sales of equipment under the installment plan model). The decrease in retail revenue was partially compensated by higher revenue from pay TV and data transmission services.

In accordance with IFRS 15 and including Netia Group's results, retail revenue amounted to PLN 1,482.1 million in the second quarter of 2018.

Wholesale revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, wholesale revenue increased by PLN 56.2 million, or 8.6%, to PLN 708.5 million in the second quarter of 2018 from PLN 652.3 million in the second quarter of 2017. The increase of wholesale revenue was triggered primarily by higher advertising revenue, resulting from the inclusion of new TV channels to the Group's portfolio as well as higher revenue from interconnection services, which in turn was the result of the increasing volume of traffic exchanged with other networks.

In accordance with IFRS 15 and including Netia Group's results, wholesale revenue amounted to PLN 738.5 million in the second quarter of 2018.

Sale of equipment

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, revenue from the sale of equipment decreased by PLN 4.3 million, or 1.8%, to PLN 239.0 million in the second quarter of 2018 from PLN 243.3 million in the second quarter of 2017, which was primarily due to a lower volume of sales of end-user devices, which was also reflected in the lower cost of equipment sold.

In accordance with IFRS 15 and including Netia Group's results, revenue from the sale of equipment amounted to PLN 341.7 million in the second quarter of 2018.

Other revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, other revenue increased by PLN 4.6 million, or 11.2%, to PLN 45.6 million in the second quarter of 2018 from PLN 41.0 million in the second quarter of 2017. This increase was mainly due to growing revenue from interest on installment plan sales of equipment to residential customers.

In accordance with IFRS 15 and including Netia Group's results, other revenue amounted to PLN 40.9 million in the second quarter of 2018.

Operating costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, our total operating costs increased by PLN 23.7 million, or 1.2%, to PLN 1,986.5 million in the second quarter of 2018 from PLN 1,962.8 million in the second quarter of 2017. Operating costs declined for the reasons set forth below.

In accordance with IFRS 15 and including Netia Group's results, total operating costs amounted to PLN 2,127.0 million in the second quarter of 2018.

[mPLN]	Results acc. to IFRS 15 incl. Netia Group	Results acc. IAS 18 binding until December 31, 2017 excl. Netia Group			
	for the 3 month period ended June 30, 2018	for the 3 month period ended June 30		change	
		2018	2017	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	578.5	521.1	483.5	37.6	7.8%
Depreciation, amortization, impairment and liquidation	470.8	439.1	446.7	(7.6)	(1.7%)
Cost of equipment sold	282.5	275.2	318.8	(43.6)	(13.7%)
Content costs	323.0	316.8	298.4	18.4	6.2%
Distribution, marketing, customer relation management and retention costs	223.5	214.9	215.9	(1.0)	(0.5%)
Salaries and employee-related costs	169.3	146.0	133.7	12.3	9.2%
Cost of debt collection services and bad debt allowance and receivables written off	17.6	18.2	16.3	1.9	11.7%
Other costs	61.8	55.2	49.5	5.7	11.5%
Operating costs	2,127.0	1,986.5	1,962.8	23.7	1.2%

Technical costs and cost of settlements with telecommunication operators

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, technical costs and cost of settlements with telecommunication operators increased by PLN 37.6 million, or 7.8%, to PLN 521.1 million in the second quarter of 2018 from PLN 483.5 million in the second quarter of 2017. This increase resulted mainly from higher costs of purchasing traffic in international roaming, related to a significant increase in the volume of traffic generated by Poles travelling abroad (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs due to a higher volume of calls terminated by our customers in networks of other operators.

In accordance with IFRS 15 and including Netia Group's results, technical costs and cost of settlements with telecommunication operators amounted to PLN 578.5 million in the second quarter of 2018.

Depreciation, amortization, impairment and liquidation

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, depreciation, amortization, impairment and liquidation costs decreased by PLN 7.6 million, or 1.7%, to PLN 439.1 million in the second quarter of 2018 from PLN 446.7 million in the second quarter of 2017, among others due to the termination of the amortization period of certain intangible assets, recognized upon the acquisition of Polkomtel in 2014 (relates to the item "Relations with customers" on the balance sheet), which was partially offset by the shortening of the amortization period of certain tangible assets.

In accordance with IFRS 15 and including Netia Group's results, depreciation, amortization, impairment and liquidation costs amounted to PLN 470.8 million in the second quarter of 2018.

Cost of equipment sold

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, the cost of equipment sold decreased by PLN 43.6 million, or 13.7%, to PLN 275.2 million in the second quarter of 2018 from PLN 318.8 million in the second quarter of 2017, as a consequence of a lower volume of sales of end-user devices.

In accordance with IFRS 15 and including Netia Group's results, the cost of equipment sold amounted to PLN 282.5 million in the second quarter of 2018.

Content costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, content costs increased by PLN 18.4 million, or 6.2%, to PLN 316.8 million in the second quarter of 2018 from PLN 298.4 million in the second quarter of 2017. This increase was the result of higher cost of internal production due to, among others, recognizing the costs of the newly acquired TV channels, as well as higher license fees resulting from the growing popularity of "premium" type program packages among our pay TV customers.

In accordance with IFRS 15 and including Netia Group's results, content costs amounted to PLN 323.0 million in the second quarter of 2018.

Distribution, marketing, customer relation management and retention costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, distribution, marketing, customer relation management and retention costs remained almost stable and amounted to PLN 214.9 million in the second quarter of 2018 as compared to PLN 215.9 million in the second quarter of 2017.

In accordance with IFRS 15 and including Netia Group's results, distribution, marketing, customer relation management and retention costs amounted to PLN 223.5 million in the second quarter of 2018.

Salaries and employee-related costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, salaries and employee-related costs increased by PLN 12.3 million, or 9.2%, to PLN 146.0 million in the second quarter of 2018 from PLN 133.7 million in the second quarter of 2017, due to, among others, concluded acquisitions and the related increase in Group's headcount, an increase in the average salary per employee (including a bonus provision) as well as increased scope of trainings for employees.

In accordance with IFRS 15 and including Netia Group's results, salaries and employee-related costs amounted to PLN 169.3 million in the second quarter of 2018.

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

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, cost of debt collection services and bad debt allowance and receivables written off increased by PLN 1.9 million, or 11.7%, to PLN 18.2 million in the second quarter of 2018 from PLN 16.3 million in the second quarter of 2017, among others due to a higher cost of write-offs on receivables for installment sales of equipment to residential customers resulting from growing popularity of this form of sales.

In accordance with IFRS 15 and including Netia Group's results, cost of debt collection services and bad debt allowance and receivables written off amounted to PLN 17.6 million in the second quarter of 2018.

Other costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, other costs increased by PLN 5.7 million, or 11.5%, to PLN 55.2 million in the second quarter of 2018 from PLN 49.5 million in the second quarter of 2017, among others due to the higher cost of taxes and fees resulting from the concluded acquisitions.

In accordance with IFRS 15 and including Netia Group's results, other costs amounted to PLN 61.8 million in the second quarter of 2018.

Other operating income and costs, net

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, other net operating cost amounted to PLN 1.9 million in the second quarter of 2018 as compared to other net operating income of PLN 9.9 million in the second quarter of 2017.

In accordance with IFRS 15 and including Netia Group's results, other net operating cost amounted to PLN 0.6 million in the second quarter of 2018.

Gains and losses on investment activities, net

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, net losses on investment activities amounted to PLN 34.4 million in the second quarter of 2018, compared to net losses on investment activities of PLN 14.4 million in the second quarter of 2017. This was, among other things, the effect of foreign exchange losses related, among others, to the valuation of UMTS license liabilities, caused by a stronger degree of depreciation of the PLN versus the EUR in the second quarter of 2018 versus the comparative period.

In accordance with IFRS 15 and including Netia Group's results, net losses on investment activities amounted to PLN 45.9 million in the second quarter of 2018.

Finance costs, net

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, net finance costs amounted to PLN 98.8 million in the second quarter of 2018 and decreased by PLN 14.5 million, or 12.8%, compared to PLN 113.3 million in the second quarter of 2017. This decrease was caused, among others, by lower interest expenses on loans and bonds, resulting from the scheduled repayments of the Combined SFA during 2017, as well as our Group's consistent policy of deleveraging.

In accordance with IFRS 15 and including Netia Group's results, finance costs amounted to PLN 98.9 million in the second quarter of 2018.

Income tax

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, income tax amounted to PLN 102.1 million in the second quarter of 2018 and decreased by PLN 5.5 million, or 5.1%, compared to PLN 107.6 million in the second quarter of 2017.

In accordance with IFRS 15 and including Netia Group's results, income tax amounted to PLN 99.3 million in the second quarter of 2018.

Net profit

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, as a result of changes mentioned above net profit decreased by PLN 28.6 million, or 10.2%, to PLN 253.1 million in the second quarter of 2018 from PLN 281.7 million in the second quarter of 2017.

In accordance with IFRS 15 and including Netia Group's results, net profit amounted to PLN 231.4 million in the second quarter of 2018.

EBITDA & EBITDA margin

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, EBITDA decreased by PLN 36.1 million, or 3.7%, to PLN 927.6 million in the second quarter of 2018 from PLN 963.7 million in the second quarter of 2017. In the second quarter of 2018 we continued to observe an adverse effect on EBITDA dynamics of the *Roam Like at Home* regulation, which resulted in a decrease in the margin on provided international roaming services by ca. PLN 22 million YoY. In the second quarter of 2018, EBITDA margin decreased by 1.5 pp to 37.5%, from 39.0% in the second quarter of 2017.

In accordance with IFRS 15 and including Netia Group's results, EBITDA was PLN 946.4 million and EBITDA margin was 36.4% in the second quarter of 2018.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, amounted to 5,594 full-time equivalents (FTE) in the second quarter of 2018, i.e., increased by 780 FTE or 16.2%, compared to 4,814 FTE in the corresponding period of 2017. This increase was mainly attributable to concluded acquisitions and an inclusion of Netia Group's headcount in particular.

Comparison of financial results for the first half of 2018 and 2017

[mPLN]	Results acc. to IFRS 15 incl. Netia Group	Results acc. IAS 18 binding until December 31, 2017 excl. Netia Group			
	for the 6 month period ended June 30, 2018	for the 6 month period ended June 30		change	
		2018	2017	[mPLN]	[%]
Revenue	4,949.1	4,837.6	4,858.5	(20.9)	(0.4%)
Total operating cost	(4,044.1)	(3,889.6)	(3,901.0)	11.4	(0.3%)
Other operating income/(cost), net	6.1	4.8	16.7	(11.9)	(71.3%)
Profit from operating activities	911.1	952.8	974.2	(21.4)	(2.2%)
Gain/(loss) on investment activities, net	(49.3)	(37.8)	16.1	(53.9)	(334.8%)
Financial costs, net	(171.5)	(171.4)	(298.8)	127.4	(42.6%)
Share of the profit of associates accounted for using the equity method	5.1	5.1	-	5.1	-
Gross profit for the period	695.4	748.7	691.5	57.2	8.3%
Income tax	(171.8)	(180.1)	(138.4)	(41.7)	30.1%
Net profit for the period	523.6	568.6	553.1	15.5	2.8%
EBITDA	*1,836.4*	*1,846.4*	*1,893.2*	*(46.8)*	*(2.5%)*
EBITDA margin	*37.1%*	*38.2%*	*39.0%*	*-*	*-*

Revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, our total revenue amounted to PLN 4.837,6 million in the first half of 2018 and remained on a similar level as compared to PLN 4,858.5 million in the first half of 2017. The increase in revenue was triggered by factors described below.

In accordance with IFRS 15 and including Netia Group's results, our total revenue amounted to PLN 4,949.1 million in the first half of 2018.

[mPLN]	Results acc. to IFRS 15 incl. Netia Group	Results acc. IAS 18 binding until December 31, 2017 excl. Netia Group			
	for the 6 month period ended June 30, 2018	for the 6 month period ended June 30		change	
		2018	2017	[mPLN]	[%]
Retail revenue	2,834.3	2,954.0	3,076.0	(122.0)	(4.0%)
Wholesale revenue	1,374.4	1,344.4	1,214.4	130.0	10.7%
Sale of equipment	659.2	447.6	491.9	(44.3)	(9.0%)
Other revenue	81.2	91.6	76.2	15.4	20.2%
Revenue	4,949.1	4,837.6	4,858.5	(20.9)	(0.4%)

Retail revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, retail revenue decreased by PLN 122.0 million, or 4.0%, to PLN 2,954.0 million in the first half of 2018, from PLN 3,076.0 million in the first half of 2017, primarily due to lower revenue from voice services. The erosion of revenue from voice services resulted, among others, from the full implementation of the *Roam Like at Home* regulation, which imposed the levelling of retail roaming charges with domestic charges from June 2017, and the change in the model of offering equipment to retail customers (payment for equipment, previously included in subscription fees, is currently recognized as revenue from sales of equipment under the installment plan model). The decrease in retail revenue was partially compensated by higher revenue from pay TV and data transmission services.

In accordance with IFRS 15 and including Netia Group's results, retail revenue amounted to PLN 2,834.3 million in the first half of 2018.

Wholesale revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, wholesale revenue increased by PLN 130.0 million, or 10.7%, to PLN 1,344.4 million in the first half of 2018 from PLN 1,214.4 million in the first half of 2017. The increase of wholesale revenue was triggered primarily by higher advertising revenue and higher revenue from interconnection services. The increase in advertising revenue was mainly due to the inclusion of new TV channels to the Group's portfolio with the simultaneous increase in pricing of TV advertising observed on the market in the first half of 2018. In turn, higher interconnection revenue was the result of the increasing volume of traffic exchanged with other networks.

In accordance with IFRS 15 and including Netia Group's results, wholesale revenue amounted to PLN 1,374.4 million in the first half of 2018.

Sale of equipment

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, revenue from the sale of equipment decreased by PLN 44.3 million, or 9.0%, to PLN 447.6 million in the first half of 2018 from PLN 491.9 million in the first half of 2017, which was primarily due to a lower volume of sales of end-user devices, which was also reflected in the lower cost of equipment sold.

In accordance with IFRS 15 and including Netia Group's results, revenue from the sale of equipment amounted to PLN 659.2 million in the first half of 2018.

Other revenue

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, other revenue increased by PLN 15.4 million, or 20.2%, to PLN 91.6 million in the first half of 2018 from PLN 76.2 million in the first half of 2017. This increase was mainly due to growing revenue from interest on installment plan sales of equipment to residential customers.

In accordance with IFRS 15 and including Netia Group's results, other revenue amounted to PLN 81.2 million in the first half of 2018.

Operating costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, our total operating costs amounted to PLN 3,889.6 million in the first half of 2018 and were at a similar level as compared to PLN 3,901.0 million in the first half of 2017. Factors influencing our operating costs are set forth below.

In accordance with IFRS 15 and including Netia Group's results, total operating costs amounted to PLN 4,044.1 million in the first half of 2018.

[mPLN]	Results acc. to IFRS 15 incl. Netia Group	Results acc. IAS 18 binding until December 31, 2017 excl. Netia Group			
	for the 6 month period ended June 30, 2018	for the 6 month period ended June 30		change	
		2018	2017	[mPLN]	[%]
Technical costs and cost of settlements with telecommunication operators	1,083.0	1,025.6	951.7	73.9	7.8%
Depreciation, amortization, impairment and liquidation	925.3	893.6	919.0	(25.4)	(2.8%)
Cost of equipment sold	555.0	533.7	642.4	(108.7)	(16.9%)
Content costs	592.4	586.2	562.7	23.5	4.2%
Distribution, marketing, customer relation management and retention costs	428.7	420.1	427.0	(6.9)	(1.6%)
Salaries and employee-related costs	313.1	289.8	261.5	28.3	10.8%
Cost of debt collection services and bad debt allowance and receivables written off	29.5	30.1	35.6	(5.5)	(15.4%)
Other costs	117.1	110.5	101.1	9.4	9.3%
Operating costs	4,044.1	3,889.6	3,901.0	(11.4)	(0.3%)

Technical costs and cost of settlements with telecommunication operators

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, technical costs and cost of settlements with telecommunication operators increased by PLN 73.9 million, or 7.8%, to PLN 1,025.6 million in the first half of 2018 from PLN 951.7 million in the first half of 2017. This increase resulted mainly from higher costs of purchasing traffic in international roaming, related to a significant increase in the volume of traffic generated by Poles travelling abroad (effect of the *Roam Like at Home* regulation), as well as higher interconnection costs due to a higher volume of calls terminated by our customers in networks of other operators.

In accordance with IFRS 15 and including Netia Group's results, technical costs and cost of settlements with telecommunication operators amounted to PLN 1,083.0 million in the first half of 2018.

Depreciation, amortization, impairment and liquidation

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, depreciation, amortization, impairment and liquidation costs decreased by PLN 25.4 million, or 2.8%, to PLN 893.6 million in the first half of 2018 from PLN 919.0 million in the first half of 2017, among others due to the termination of the amortization period of certain intangible assets, recognized upon the acquisition of Polkomtel in 2014 (relates to the item "Relations with customers" on the balance sheet), which was partially offset by the shortening of the amortization period of certain tangible assets.

In accordance with IFRS 15 and including Netia Group's results, depreciation, amortization, impairment and liquidation costs amounted to PLN 925.3 million in the first half of 2018.

Cost of equipment sold

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, the cost of equipment sold decreased by PLN 108.7 million, or 16.9%, to PLN 533.7 million in the first half of 2018 from PLN 642.4 million in the first half of 2017, as a consequence of a lower volume of sales of end-user devices.

In accordance with IFRS 15 and including Netia Group's results, the cost of equipment sold amounted to PLN 555.0 million in the first half of 2018.

Content costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, content costs increased by PLN 23.5 million, or 4.2%, to PLN 586.2 million in the first half of 2018 from PLN 562.7 million in the first half of 2017. This increase was the result of higher cost of internal production due to, among others, recording the costs of the newly acquired TV channels, as well as higher license programming fees resulting from the growing popularity of "premium" type program packages among our pay TV customers.

In accordance with IFRS 15 and including Netia Group's results, content costs amounted to PLN 592.4 million in the first half of 2018.

Distribution, marketing, customer relation management and retention costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, distribution, marketing, customer relation management and retention costs decreased by PLN 6.9 million, or 1.6%, to PLN 420.1 million in the first half of 2018 as compared to PLN 427.0 million in the first half of 2017. Higher marketing costs were off-set by lower distribution and logistics costs following the acquisition of Coltext ST Sp. z o.o. in the first quarter of 2018, formerly an external distributor of Polsat Group's products and services, which was reflected in insourcing of Coltex's employees. Moreover, we have recorded decreases in costs of customer servicing and retention and in storage costs.

In accordance with IFRS 15 and including Netia Group's results, distribution, marketing, customer relation management and retention costs amounted to PLN 428.7 million in the first half of 2018.

Salaries and employee-related costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, salaries and employee-related costs increased by PLN 28.3 million, or 10.8%, to PLN 289.8 million in the first half of 2018 from PLN 261.5 million in the first half of 2017, due to, among others, concluded acquisitions and the related increase in Group's headcount, an increase in the average salary per employee (including a bonus provision) as well as increased scope of trainings for employees.

In accordance with IFRS 15 and including Netia Group's results, salaries and employee-related costs amounted to PLN 313.1 million in the first half of 2018.

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

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, cost of debt collection services and bad debt allowance and receivables written off decreased by PLN 5.5 million, or 15.4%, to PLN 30.1 million in the first half of 2018 from PLN 35.6 million in the first half of 2017, mainly due to a lower cost of write-offs on off-billing receivables.

In accordance with IFRS 15 and including Netia Group's results, cost of debt collection services and bad debt allowance and receivables written off amounted to PLN 29.5 million in the first half of 2018.

Other costs

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, other costs increased by PLN 9.4 million, or 9.3%, to PLN 110.5 million in the first half of 2018 from PLN 101.1 million in the first half of 2017, among others due to the incurred cost of licenses sold, which were related to film productions supported by Cyfrowy Polsat Group, and the higher cost of taxes and fees resulting from the concluded acquisitions.

In accordance with IFRS 15 and including Netia Group's results, other costs amounted to PLN 117.1 million in the first half of 2018.

Other operating income and costs, net

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, other net operating income amounted to PLN 4.8 million in the first half of 2018 as compared to other net operating income of PLN 16.7 million in the first half of 2017.

In accordance with IFRS 15 and including Netia Group's results, other net operating cost amounted to PLN 6.1 million in the first half of 2018.

Gains and losses on investment activities, net

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, net losses on investment activities amounted to PLN 37.8 million in the first half of 2018, compared to net gains on investment activities of PLN 16.1 million in the first half of 2017. This was mainly, the effect of higher foreign exchange losses related, among others, to the valuation of UMTS license liabilities, caused by a depreciation of the PLN versus the EUR in the first half of 2018 whereas an appreciation of the PLN versus the EUR was recorded in the corresponding period of 2017.

In accordance with IFRS 15 and including Netia Group's results, net losses on investment activities amounted to PLN 49.3 million in the first half of 2018.

Finance costs, net

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, net finance costs amounted to PLN 171.4 million in the first half of 2018 and decreased by PLN 127.4 million, or 42.6%, compared to PLN 298.8 million in the first half of 2017. This decrease was caused, among others, by lower interest expenses on loans and bonds, resulting from the scheduled repayments of the Combined SFA during 2017, as well as our Group's consistent policy of deleveraging. Furthermore, in April 2017 we executed the early redemption of the Litenite Notes, which was associated with a one-time premium reflected in higher financial costs for the first quarter of 2017. In turn, in March 2018 we renegotiated the terms and conditions of the Combined SFA which resulted, among others, in extending the agreement's term. This resulted in a one-time non-cash reduction of finance costs in the first quarter of 2018 due to extending the amortization period of costs related to acquisition of financing incurred in 2015.

In accordance with IFRS 15 and including Netia Group's results, finance costs amounted to PLN 171.5 million in the first half of 2018.

Income tax

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, income tax amounted to PLN 180.1 million in the first half of 2018 and increased by PLN 41.7 million, or 30.1%, compared to PLN 138.4 million in the first half of 2017.

In accordance with IFRS 15 and including Netia Group's results, finance costs amounted to PLN 171.8 million in the first half of 2018.

Net profit

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, as a result of changes mentioned above net profit increased by PLN 15.5 million, or 2.8%, to PLN 568.6 million in the first half of 2018 from PLN 553.1 million in the first half of 2017.

In accordance with IFRS 15 and including Netia Group's results, net profit amounted to PLN 523.6 million in the first half of 2018.

EBITDA & EBITDA margin

In accordance with IAS 18 binding until the end of 2017 and excluding Netia Group, EBITDA decreased by PLN 46.8 million, or 2.5%, to PLN 1,846.4 million in the first half of 2018 from PLN 1,893.2 million in the first half of 2017. In the first half of 2018 we continued to observe an adverse effect on EBITDA dynamics of the *Roam Like at Home* regulation, which resulted in a decrease in the margin on provided international roaming services by ca. PLN 47 million YoY. In the first half of 2018, EBITDA margin decreased by 0.8 pp to 38.2%, from 39.0% in the first half of 2017.

In accordance with IFRS 15 and including Netia Group's results, EBITDA was PLN 1,836.4 million and EBITDA margin was 37.1% in the first half of 2018.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, amounted to 5,212 full-time equivalents (FTE) in the first half of 2018, i.e., increased by 419 FTE or 8.7%, compared to 4,793 FTE in the corresponding period of 2017. This increase was mainly attributable to concluded acquisitions and an inclusion of Netia Group's headcount in particular.

4.3.2. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

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

Services to individual and business customers segment include:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay TV services and revenues are generated mainly by pay TV subscription fees;
- mobile telecommunication services (postpaid and mix) which generate revenues mainly from interconnection, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection and settlements with mobile network operators;
- fixed telecommunication services, which generate revenues mainly from subscription fees, interconnection and settlements with operators;
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- lease of optical fibers and infrastructure;
- 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 technologies;
- production of set-top boxes;
- sale of telecommunication and TV reception equipment;
- sale of electric energy and other media to retail customers.

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 6 months ended June 30, 2018:

6 months ended June 30, 2018 (unaudited) *IFRS 15 basis* [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,269.2	679.9	-	4,949.1
Inter-segment revenues	27.7	82.4	(110.1)	-
Revenues	4,296.9	762.3	(110.1)	4,949.1
EBITDA (unaudited)	1,550.2	286.2	-	1,836.4
Depreciation, amortization, impairment and liquidation	904.8	20.5	-	925.3
Profit from operating activities	645.4	265.7	-	911.1
Acquisition of property, plant and equipment, reception equipment and other intangible assets	373.9*	20.0	-	393.9
Balance as at June 30, 2018 (unaudited)				
Assets, including:	24,937.5	5,024.5**	(210.4)	29,751.6
Investments in joint venture	4.3	36.1	-	40.4

* 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 10.6 million.

All material revenues are generated in Poland.

It should be noted that the financial data for the six-month periods ending June 30, 2018 and June 30, 2017 allocated to the “Services to individual and business customers” segment are not fully comparable due to the disposal of LTE Holdings Limited on June 19, 2017, the acquisition of 51% of shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) on September 7, 2017, the acquisition of 31.76% of shares of Netia S.A. on December 5, 2017 and the acquisition of additional 10.33% shares of Netia S.A. on May 22, 2018, the disposal of shares in New Media Ventures Sp. z o.o. on December 8, 2017, the acquisition of 100% of shares in Coltex ST Sp. z o.o. on March 1, 2018 and the acquisition of 100% of shares in Netshare Media Group Sp. z o.o. on June 25, 2018.

It should be also noted that the financial data for the six-month periods ending June 30, 2018 and June 30, 2017 allocated to the “Broadcasting and television production” segment are not fully comparable due to the acquisition of 100% of shares in Eska TV S.A. and Lemon Records Sp. z o.o. on December 4, 2017, the acquisition of 34.02% and later 15.46% of shares in TV Spektrum Sp. z o.o. on December 4, 2017 and February 2, 2018, respectively, the acquisition of 50% plus one share in Eleven Sports Network Sp. z o.o. on May 25, 2018 and the acquisition of 100% shares in Superstacja Sp. z o.o. on June 4, 2018.

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

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 6 months ended June 30, 2017:

6 months ended June 30, 2017 (unaudited) *IAS 18 basis* [mPLN]	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,249.3	609.2	-	4,858.5
Inter-segment revenues	21	84.8	(105.8)	-
Revenues	4,270.3	694.0	(105.8)	4,858.5
EBITDA (unaudited)	1,629.7	263.5	-	1,893.2
Depreciation, amortization, impairment and liquidation	899.8	19.2	-	919
Profit from operating activities	729.9	244.3	-	974.2
Acquisition of property, plant and equipment, reception equipment and other intangible assets	433.8*	15.1	-	448.9
Balance as at June 30, 2017 (unaudited)				
Assets, including:	22,975.4	4,656.0**	(313.9)	27,317.5
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 12.5 million.

Reconciliation of EBITDA and net profit for the period:

[mPLN]	for the 6 months ended	
	June 30, 2018 unaudited (acc. to IFRS 15)	June 30, 2017 unaudited (acc. to IAS 18)
EBITDA (unaudited)	1,836.4	1,893.2
Depreciation, amortization, impairment and liquidation	(925.3)	(919.0)
Profit from operating activities	911.1	974.2
Other foreign exchange rate differences, net	(35.2)	32.2
Interest costs, net	(194.6)	(221.8)
Early redemption costs	-	(58.7)
Cumulative catch-up	34.7	-
Share of the profit of associates accounted for using the equity method	5.1	-
Other	(25.7)	(34.4)
Gross profit for the period	695.4	691.5
Income tax	(171.8)	(138.4)
Net profit for the period	523.6	553.1

4.3.3. Balance sheet analysis

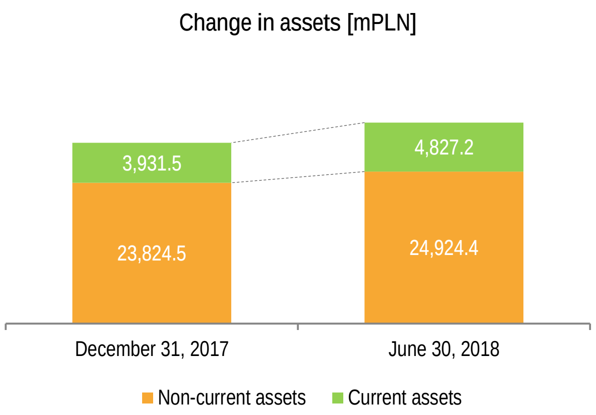
As at June 2018 our balance sheet amounted to PLN 27,751.6 million and increased by PLN 1,995.6 million, or 7.2%, from PLN 27,756.0 million as at December 31, 2017.

Assets

[mPLN]	June 30, 2018 *IFRS 15 basis*	December 31, 2017 *IAS 18 basis*	Change	
			[mPLN]	[%]
Reception equipment	294.1	325.3	(31.2)	(9.6%)
Other property, plant and equipment	4,419.9	2,867.1	1,552.8	54.2%
Goodwill	11,530.0	11,041.7	488.3	4.4%
Customer relationships	2,358.7	2,557.3	(198.6)	(7.8%)
Brands	2,024.8	2,037.1	(12.3)	(0.6%)
Other intangible assets	3,097.5	3,261.5	(164.0)	(5.0%)
Non-current programming assets	211.1	170.1	41.0	24.1%
Investment property	30.0	5.1	24.9	488.2%
Non-current deferred distribution fees	93.0	91.4	1.6	1.8%
Other non-current assets, includes:	649.3	1,270.7	(621.4)	(48.9%)
shares in associates accounted for using the equity method	*40.4*	*665.2*	*(624.8)*	*(93.9%)*
derivative instruments	*1.4*	*1.9*	*(0.5)*	*(26.3%)*
Deferred tax assets	216.0	197.2	18.8	9.5%
Total non-current assets	24,924.4	23,824.5	1,099.9	4.6%
Current programming assets	353.2	251.7	101.5	40.3%
Contract assets	681.5	-	681.5	100.0%
Inventories	362.1	283.7	78.4	27.6%
Trade and other receivables	2,161.3	1,983.2	178.1	9.0%
Income tax receivables	68.7	1.3	67.4	5,184.6%
Current deferred distribution fees	230.1	207.9	22.2	10.7%
Other current assets	82.5	31.7	50.8	160.3%
includes derivative instruments assets	*1.6*	*5.1*	*(3.5)*	*(68.6%)*
Cash and cash equivalents	876.1	1,161.5	(285.4)	(24.6%)
Restricted cash	11.7	10.5	1.2	11.4%
Total current assets	4,827.2	3,931.5	895.7	22.8%
Total assets	29,751.6	27,756.0	1,995.6	7.2%

As at June 30, 2018 and December 31, 2017, our non-current assets amounted to PLN 24,924.4 million and PLN 23,824.5 million, respectively, and accounted for 83.8% and 85.8% of total assets, respectively.

As at June 30, 2018 and December 31, 2017, our current assets amounted to PLN 4,827.2 million and PLN 3,931.5 million, respectively, and accounted for 16.2% and 14.2% of the total assets, respectively.



The value of reception equipment amounted to PLN 294.1 million as at June 30, 2018 and decreased by PLN 31.2 million, or 9.6%, compared to PLN 325.3 million as at December 31, 2017.

The value of other property, plant and equipment increased by PLN 1,552.8 million, or 54.2%, to PLN 4,419.9 million as at June 30, 2018 from PLN 2,867.1 million as at December 31, 2017, mainly due to the recognition of the technical infrastructure and telecommunications network equipment of Netia Group companies.

The value of goodwill increased by PLN 488.3 million, or 4.4%, to PLN 11,530.0 million as at June 30, 2018 from PLN 11,041.7 million as at December 31, 2017 following the concluded acquisitions, in particular due to taking control over Netia S.A. and Eleven Sports Network Sp. z o.o. in May 2018.

The value of customer relationships decreased by PLN 198.6 million, or 7.8%, to PLN 2,358.7 million as at June 30, 2018 compared to PLN 2,557.3 million as at December 31, 2017, among others due to calculated amortization for the six-month period ended June 30, 2018.

As at June 30, 2018, the value of brands was PLN 2,024.8 million, which constitutes a decrease by PLN 12.3 million, or 0.6%, compared to PLN 2,037.1 million as at December 31, 2017, among others due to recognition of the amortization of the Plus trademark for the six-month period ended June 30, 2018.

The value of other intangible assets amounted to PLN 3,097.5 million as at June 30, 2018 which constitutes a decrease by PLN 164.0 million, or 5.0%, compared to PLN 3,261.5 million as at December 31, 2017. The main reason behind this decrease is the recognition of amortization of telecommunication licenses for the six-month period ended June 30, 2018, which was partially offset by the recognition of other intangible assets of the newly acquired companies and Netia Group in particular.

The value of non-current and current programming assets increased by PLN 142.5 million, or 33.8%, to PLN 564.3 million as at June 30, 2018, from PLN 421.8 million as at December 31, 2017. This increase was primarily the effect of the recognition of a higher value of sports licenses and rights resulting from taking the control over Eleven Sports Network Sp. z o.o. in May 2018.

Investment property increased by PLN 24.9 million to PLN 30.0 million as at June 30, 2018 compared to PLN 5.1 million as at December 31, 2017 following the recognition of investment property of Netia Group companies.

The value of non-current and current deferred distribution fees increased by PLN 23.8 million, or 8.0%, to PLN 323.1 million as at June 30, 2018 compared to PLN 299.3 million as at December 31, 2017 due to the recognition of distribution fees in Netia Group companies.

The value of other non-current assets amounted to PLN 649.3 million as at June 30, 2018 and decreased by PLN 621.4 million, or 48.9%, compared to PLN 1,270.7 million as at December 31, 2017. Due to taking control over Netia S.A., effective May 22, 2018 we fully consolidated Netia Group's results while as at December 31, 2017 this category included a valuation of our ca.32% minority stake in the company.

The value of deferred tax assets amounted to PLN 216.0 million as at June 30, 2018, which constitutes an increase by PLN 18.8 million, or 9.5%, compared to PLN 197.2 million as at December 31, 2017.

The value of contract assets amounted to PLN 681.5 million as at June 30, 2018. This item was recognized in the first quarter of 2018 as a result of applying IFRS 15 and represents the Group's right to future remuneration for the products and services provided to the customer.

The value of inventories increased by PLN 78.4 million, or 27.6%, to PLN 362.1 million as at June 30, 2018 from PLN 283.7 million as at December 31, 2017, mainly due to the higher level of inventories of end-user equipment and spare parts used in manufacturing our pay TV set-top boxes.

The value of trade and other receivables amounted to PLN 2,161.3 million as at June 30, 2018 and increased by PLN 178.1 million, or 9.0%, from PLN 1,983.2 million as at December 31, 2017, primarily due to the recognition of receivables of Netia Group companies.

The value of income tax receivables amounted to PLN 68.7 million as at June 30, 2018 and increased by PLN 67.4 million, from PLN 1.3 million as at December 31, 2017.

The value of other current assets amounted to PLN 82.5 million as at June 30, 2018, which constitutes an increase by PLN 50.8 million, or 160.3%, compared to PLN 31.7 million as at December 31, 2017, mainly as a result of an increase in the value of prepayments and the recognition of other current assets of Netia Group companies.

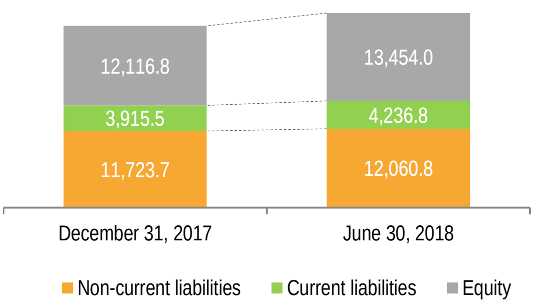
The value of cash and cash equivalents and restricted cash decreased by PLN 284.2 million, or 24.2%, to PLN 887.8 million as at June 30, 2018 from PLN 1,172.0 million as at December 31, 2017, mainly due to the concluded acquisitions and the partial repayment, in the amount of PLN 650.0 million, of the Revolving Facility Loan.

Equity and liabilities

[mPLN]	June 30 2018 *IFRS 15 basis*	December 31, 2017 *IAS 18 basis*	change	
			[mPLN]	[%]
Share capital	25.6	25.6	-	-
Share premium	7,174.0	7,174.0	-	-
Other reserves	(204.3)	3.2	(207.5)	(6,484.4%)
Retained earnings	5,904.4	4,871.4	1,033.0	21.2%
Equity attributable to equity holders of the Parent	12,899.7	12,074.2	825.5	6.8%
Non-controlling interests	554.3	42.6	511.7	1,201.2%
Total equity	13,454.0	12,116.8	1,337.2	11.0%
Loans and borrowings	9,139.4	9,291.4	(152.0)	(1.6%)
Issued bonds	975.5	975.7	(0.2)	(0.0%)
Finance lease liabilities	14.6	18.6	(4.0)	(21.5%)
UMTS license liabilities	466.9	440.8	26.1	5.9%
Deferred tax liabilities	1,027.8	879.8	148.0	16.8%
Deferred income	-	3.2	(3.2)	100.0%
Other non-current liabilities and provisions	436.6	114.2	322.4	282.3%
includes derivative instruments liabilities	*0.5*	-	*0.5*	*100.0%*
Total non-current liabilities	12,060.8	11,723.7	337.1	2.9%
Loans and borrowings	1,074.7	1,341.9	(267.2)	(19.9%)
Issued bonds	42.4	42.5	(0.1)	(0.2%)
Finance lease liabilities	9.7	9.7	0.0	0.0%
UMTS license liabilities	121.3	114.5	6.8	5.9%
Contract liabilities	649.1	-	649.1	100.0%
Trade and other payables	2,254.9	1,727.3	527.6	30.5%
includes derivative instruments liabilities	*4.2*	*3.6*	*0.6*	*16.7%*
Income tax liability	44.9	61.3	(16.4)	(26.8%)
Deferred income	39.8	618.3	(578.5)	(93.6%)
Total current liabilities	4,236.8	3,915.5	321.3	8.2%
Total liabilities	16,297.6	15,639.2	658.4	4.2%
Total equity and liabilities	29,751.6	27,756.0	1,995.6	7.2%

Equity increased by PLN 1,337.2 million, or by 11.0%, to PLN 13,454.0 million as at June 30, 2018 from PLN 12,116.8 million as at December 31, 2017, due to the profit generated in the six-month period ended June 30, 2018 in the amount of PLN 523.6 million, the acquisition of Netia S.A. and the implementation of IFRS 15 which resulted in the earlier recognition of profit on equipment sold in the past under the subsidized model.

Change in liabilities [mPLN]



As at June 30, 2018 and December 31, 2017 the value of our non-current liabilities amounted to PLN 12,060.8 million and PLN 11,723.7 million, which constituted 74.0% and 75.0% of the Group's total liabilities, respectively.

As at June 30, 2018 and December 31, 2017 the value of our current liabilities amounted to PLN 4,236.8 million and PLN 3,915.5 million, which constituted 26.0% and 25.0% of the Group's total liabilities, respectively.

Loans and borrowings (short- and long-term) decreased by PLN 419.2 million, or 3.9%, to PLN 10.214,1 million as at June 30, 2018 from PLN 10,633.3 million as at December 31, 2017, which was, among others, the net effect of the partial repayment of the Revolving Facility Loan and the consolidation of Netia S.A.'s indebtedness.

Senior Notes liabilities (short- and long-term) amounted to PLN 1.017,9 million and remained at a similar level compared to PLN 1,018.2 million as at December 31, 2017.

Finance lease liabilities (short- and long-term) decreased by PLN 4.0 million, or 14.1%, to PLN 24.3 million as at June 30, 2018 from PLN 28.3 million as at December 31, 2017.

UMTS license liabilities (short- and long-term) increased by PLN 32.9 million, or 5.9%, to PLN 588.2 million as at June 30, 2018 from PLN 555.3 million as at December 31, 2017, due to their higher valuation resulting from the depreciation of the Polish zloty with respect to the euro in the first half of 2018.

Deferred income tax liabilities increased by PLN 148.0 million, or 16.8%, to PLN 1,027.8 million as at June 30, 2018 from PLN 879.8 million as at December 31, 2017. This item was adjusted in connection with the implementation of IFRS 15 from January 1, 2018.

Non-current and current deferred income amounted to PLN 39.8 million as at June 30, 2018, and decreased by PLN 581.7 million, or 93.6%, from PLN 621.5 million as at December 31, 2017. This item was adjusted in connection with the implementation of IFRS 15 from January 1, 2018 and, moreover, it included an effect of consolidating the Netia Group companies.

The value of other non-current liabilities and provisions amounted to PLN 436.6 million as at June 30, 2018 and increased by PLN 322.4 million, or 282.3%, from PLN 114.2 million as at December 31, 2017 following the consolidation of non-current liabilities from purchases of programming assets of Eleven Sports Network Sp. z o.o. and the recognition of a liability on a put option constituting part of the agreement to acquire a controlling stake in this company.

The value of contract liabilities amounted to PLN 649.1 million as at June 30, 2018. This item was recognized in the first quarter of 2018 as a result of applying IFRS 15 and refers mainly to the unused funds within the prepaid system, recognized previously as deferred income.

The value of trade and other payables amounted to PLN 2,254.9 million as at June 30, 2018 which constitutes an increase by PLN 527.6 million, or 30.5%, compared to PLN 1,727.3 million as at December 31, 2017. This increase was driven primarily by the recognition of a liability related to an obligation to repurchase shares of Netia S.A. from Karswell, in accordance with the Acquirers' Agreement of December 5, 2017, and by the consolidation of liabilities of the Netia Group companies.

Income tax liabilities decreased by PLN 16.4 million, or 26.8%, to PLN 44.9 million as at June 30, 2018 from PLN 61.3 million as at December 31, 2017.

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the 6-month periods ended June 30, 2018 and 2017.

[mPLN]	for 6 months ended June 30		change	
	2018 *IFRS 15 basis*	2017 *IAS 18 basis*	[mPLN]	[%]
Net profit	523.6	553.1	(29.5)	*(5.3%)*
Net cash from operating activities	1,220.2	1,519.4	(299.2)	(19.7%)
Net cash used in investing activities	(637.7)	(367.5)	(270.2)	(73.5%)
Capital expenditures	*(350.6)*	*(383.0)*	*32.4*	*8.5%*
Net cash used in financing activities	(868.2)	(1,122.3)	254.1	22.6%
Net increase/(decrease) in cash and cash equivalents	(285.7)	29.6	-	-
Cash and cash equivalents at the beginning of the period	1,172.0	1,336.7	(164.7)	(12.3%)
Cash and cash equivalents at the end of the period	887.8	1,362.6	(474.8)	(34.8%)

Net cash from operating activities

Net cash from operating activities amounted to PLN 1,220.2 million in the first half of 2018 and decreased by PLN 299.2 million, or 19.7%, compared to net cash from operating activities in the amount of PLN 1,519.4 million the corresponding period of 2017.

A lower stream of cash from operating activities generated in the first half of 2018 versus the corresponding period of 2017 resulted from higher expenditures on film and sports licenses, a higher amount of income tax paid, an increase in the level of inventories and the reduction in the level of liabilities.

Furthermore, in the first half of 2018 the Group continued to record a significant scale of engagement of its working capital in the financing of sales of equipment for residential customers in the installment plan model, which was related to the high popularity of this form of sales among our customers, as well as the increasing demand for more advanced and consequently more expensive end-user devices.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 637.7 million in the first half of 2018 which constitutes an increase by PLN 270.2 million, or 73.5%, from PLN 367.5 million in the first half of 2017.

In the first half of 2018, capital expenditures on the purchase of property, plant and equipment and intangible assets amounted to PLN 350.6 million, which constitutes an increase by PLN 32.4 million, or 8.5%, compared to PLN 383.0 million in the first half of 2017. In particular, they included the continued roll-out of our access network, based primarily on the 900 MHz, 1800 MHz and 2600 MHz bands, expansion of the capacity of the telecommunications network based on LTE and LTE-Advanced technologies, expansion of radio links and transmission nodes and expenditures related to the continued project of complex modernization and exchange of the IT environment within the Group. At the same time we also invested in the expansion of areas used for television production, the purchase of broadcast vans, the exchange of equipment used to execute TV recordings and in servers used to develop the IPLA service, the construction of a new logistics center and we also successively exchanged the interior design of our points of sales.

On top of regular capital expenditures, in the first half of 2018 net cash used in investing activities included other expenditures, related among others to the acquisition of Coltex ST Sp. z o.o., the increase of our stakes in TV Spektrum Sp. z o.o. and Netia S.A., the first installment payment for the acquisition of shares of Eleven Sports Network Sp. z o.o. and the acquisition of shares of Superstacja Sp. z o.o.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 868.2 million in the first half of 2018, which constitutes a decrease by PLN 254.1 million, or 22.6% compared to PLN 1,122.3 million in the first half of 2017. In the first half of 2018 we repaid PLN 650.0 million from the Revolving Facility Loan and incurred current debt-servicing costs, as well as borne one-time costs associated with the amendment of conditions of the Combined SFA.

4.3.5. Liquidity and capital resources

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

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

The table below presents a summary of the indebtedness of the Group as at June 30, 2018.

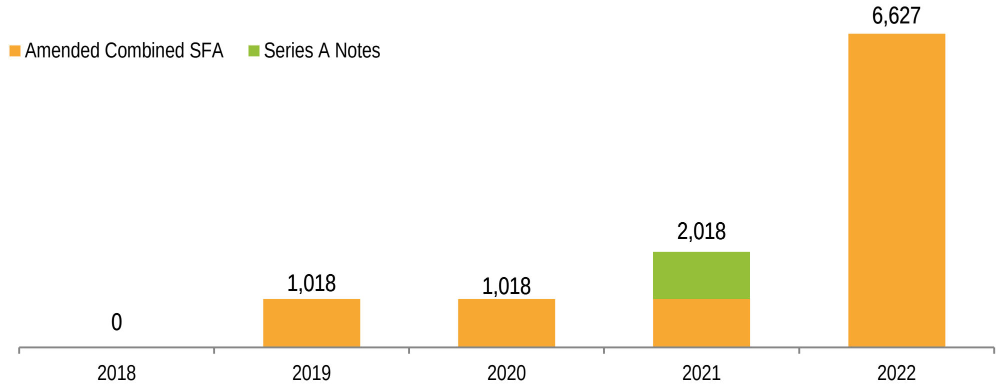
	Balance value as at June 30, 2017 [mPLN]	Coupon / interest	Maturity date
Combined SFA, incl.	9.937,9	WIBOR + marża	2022[1)]
Revolving Facility Loan	*350,0*	*WIBOR + marża*	
Series A Notes	1.017,9	WIBOR + 2,5%	2021
Credit agreement of Netia Group[2]	276,2		
Leasing and other	24,3	-	-
Gross debt	11.256,3	-	-
Cash and cash equivalents[1]	(887,8)	-	-
Net debt	10.368,5	-	-
EBITDA LTM	3.560,2	-	-
Total net debt / EBITDA LTM	2,91	-	-
Weighted average interest cost[2]	3,3%	-	-

1 Accounting for the provisions of the second amendment and restatement deed to the Combined SFA dated March 2, 2018.
2 Netia repaid the full amount of indebtedness resulting from its credit agreement with the consortium of banks on July 26, 2018.
3 This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
4 In accordance with the requirements of the Combined SFA, EBITDA LTM includes the EBITDA figures for the third and fourth quarters of 2017 calculated according to IAS 18 (binding until December 31, 2017) and the EBITDA figure for the first and second quarters of 2018 calculated according to IFRS 15 (binding from January 1, 2018).
5 Prospective average weighted interest cost of the Combined SFA (including the Revolving Facility Loan) and the Series A Notes, excluding hedging instruments and indebtedness of Netia Group, as at June 30, 2018 assuming WIBOR 1M of 1.64% and WIBOR 6M of 1.78%.

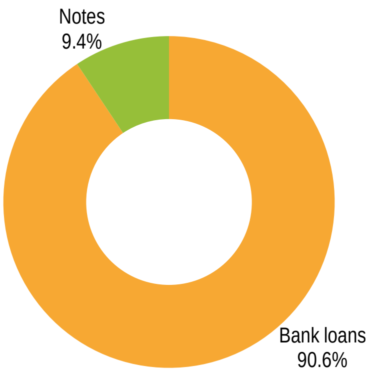
As a result of the conclusion on March 2, 2018 of the second amendment and restatement deed to the Combined SFA, the termination date of the Term Loan and consequently the repayment schedule have changed. The extended repayment schedule resulted, i.a. in the freezing of repayments of capital installments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

The graphs below present the aging balance of the Group's debt (expressed in nominal values and excluding the indebtedness under the revolving facility loans and leasing) as well as its structure according to instrument type and currency as at June 30, 2018.

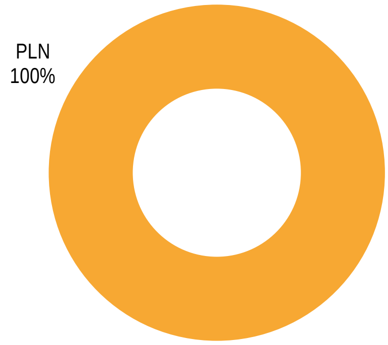
Debt maturing profile as at June 30, 2018 [mPLN]



Debt strucutre by instrument type
as at June 30, 2018



Debt structure by currency
as at June 30, 2018



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

Material financing agreements executed by the Group

Below we present information on significant agreements executed by the Company and the Group companies, which remain in force as at the date of publication of this Report.

Combined Senior Facilities Agreement

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

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

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

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

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

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

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

The Term Facility and the Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the Term Facility and the Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA in such a way that the lower the ratio – the lower the margin, with the maximum margin level applicable when the net consolidated indebtedness to consolidated EBITDA ratio exceeds 3.50:1, and the minimum margin level applicable when that ratio is no higher than 1.50:1, whereby the value of consolidated net debt used in the calculation of this ratio, pursuant to the definition set out in the Combined SFA, does not include debt instruments under which capital is repaid not sooner than 6 months after the term of repayment of the Term Facility and Revolving Facility and interest is not paid in cash on a current basis. Pursuant to the provisions of the amended Combined SFA the final repayment date for the Term Facility and the Revolving Facility is September 30, 2022. Starting from 2019, the Term Facility is to be repaid in quarterly installments of variable value according to an established schedule.

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

Pursuant to the provisions of the Combined SFA when the net consolidated indebtedness to consolidated EBITDA ratio falls to or below 3.00:1, the Company will have a right to demand that the collaterals for the Combined Senior Facilities Agreement be released (save for guarantees granted on the basis of the Combined SFA). However, such released collateral will need to be re-established if the net consolidated indebtedness to consolidated EBITDA ratio again rises above 3.00:1. Additionally, if certain members of the Company's Group incur secured indebtedness, a pari passu collateral will need to be established in favor of the Security Agent (acting for, among others, the lenders under the Combined Senior Facilities Agreement).

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

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

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

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

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

The CP SFA, PLK SFA and the Amendment and Restatement Deed of September 21, 2015 provided for typical conditions precedent for the disbursement of the contemplated facilities and certain conditions subsequent for the disbursement of the contemplated facilities, also typical for this kind of transactions.

On July 20, 2018, the Combined CFA was entered into by Netia as an additional borrower and an additional guarantor. Netia's entering into the Combined CFA was based on the resolution of the Management Board of Netia dated June 13, 2018 of which Netia informed in its current report No. 35/2018 dated June 13, 2018.

Furthermore, in the said resolution the Management Board of Netia resolved: (i) to amend the conditions of the previously binding credit facility agreement in the way that the repayment of the indebtedness totaling PLN 200.0 million shall be made in a single payment not later than on August 22, 2018; and (ii) to terminate the financing agreement signed with European Investment Bank.

Series A Bonds issued by Cyfrowy Polsat

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

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

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

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

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

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

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

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

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

Additionally, pursuant to the Bonds Terms, the Company and its subsidiaries are obliged to maintain required levels of certain financial ratios and are subject to certain restrictions, which have been specified in the Information Note regarding the issue of Series A Bonds of July 22, 2015 (the Information Note is available on our corporate website).

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

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

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

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

Contractual obligations

Contractual commitments to purchase programming assets

As at June 30, 2018 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

[mPLN]	June 30, 2018 unaudited	December 31, 2017
within one year	400.6	192.6
between 1 to 5 years	705.0	612.1
more than 5 years	30.6	15.0
Total	1,136.2	819.7

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

[mPLN]	June 30, 2018 unaudited	December 31, 2017
within one year	11.9	0.2
Total	11.9	0.2

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 313.6 million as at June 30, 2018 (PLN 110.4 million as at December 31, 2017). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at June 30, 2018 was PLN 265.9 million (PLN 272.5 million as at December 31, 2017).

Ratings

The table below presents a summary of ratings assigned to Polsat Group as at the date of 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+ / stable	BB+ / positive	20.12.2017

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

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

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

4.3.6. Information on guarantees granted by the Company or subsidiaries

Securities related to the Combined Senior Facilities Agreement

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

(i) registered pledges over variable collections of movable property and rights comprised in the enterprises of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Plus TM Management Sp. z o.o., Aero2, PL 2014 Sp. z o.o. and Plus Flota Sp. z o.o., governed by Polish law;

(ii) financial and registered pledges on shares in Cyfrowy Polsat Trade Marks Sp. z o.o. (with an aggregate nominal value of PLN 615,445,000), Telewizja Polsat (with an aggregate nominal value of PLN 236,946,700), Polkomtel (with a total nominal value of PLN 3,525,300,000), Plus TM Management Sp. z o.o. (with a total nominal value of PLN 2,106,000), Aero2 (with a total nominal value of PLN 91,958,700) and PL 2014 Sp. z o.o. (with a total nominal value of PLN 29,494,600), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said companies. the pledged shares represent 100% of the share capital of each company and are held by the Company as a long-term capital investment;

(iii) financial and registered pledges on shares in Netia S.A. (with a total nominal value of PLN 110,702,441), governed by Polish law, together with powers of attorney to exercise corporate rights attached to the shares in the said company, the pledged shares represent 32.998% of the share capital of the company;

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

(v) financial and registered pledges on receivables under bank account agreements of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Plus TM Management Sp. z o.o., Aero2 and PL 2014 Sp. z o.o., governed by Polish law;

(vi) powers of attorney to bank accounts of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat, Polkomtel, Plus TM Management Sp. z o.o., Dwa Sp. z o.o., Teleaudio Dwa Spółka z ograniczoną odpowiedzialnością Sp. k., Polsat Media Biuro Reklamy Sp. z o.o., Interphone Service Sp. z o.o., Muzo.fm Sp. z o.o., INFO-TV-FM Sp. z o.o., Polkomtel Business Development Sp. z o.o., Nordisk Polska Sp. z o.o., TM Rental Sp. z o.o., Liberty Poland S.A., Aero2, PL 2014 Sp. z o.o. and Plus Flota Sp. z o.o., governed by Polish law;

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

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

(ix) contractual joint mortgage under Polish law on the following real properties owned by the Company: (a) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00102149/9, (b) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00136943/2, (c) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00102615/7, (d) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00101039/8, (e) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00132063/1, (f) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00104992/7, (g) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00100109/3, (h) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00103400/4, (i) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register WA3M/00100110/3, (j) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register WA3M/00131411/9;

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

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

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

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

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

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

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

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

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

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

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

(xxi) statements of the Company, Cyfrowy Polsat Trade Marks sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k., Telewizja Polsat, Polkomtel, Plus TM Management sp. z o.o., Aero2 and PL 2014 Sp. z o.o. on the submission to enforcement on the basis of a notarial deed, governed by Polish law; and

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

5. Other significant information

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

Transactions concluded in the first half of 2018 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 18 of the interim condensed consolidated financial statements for the six-month period ended June 30, 2018.

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

Polsat Group had not published any financial forecasts.

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

Management believes that the provisions for litigations as at June 30, 2018 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

Proceedings before the Office of Competition and Consumer Protection (UOKiK)

On December 27, 2012, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5 million. The company appealed to SOKiK against the decision. On October 15, 2014, SOKiK issued a decision where the penalty has been reduced to PLN 1.5 million. On February 10, 2016, SOKiK's decision was revoked thus re-establishing the penalty back at PLN 4.5 million. On March 15, 2016, Polkomtel made a payment in the amount of PLN 1.8 million. On March 23, 2018, SOKiK dismissed Polkomtel's appeal by upholding the decision of the President of UOKiK. On July 13, 2018 Polkomtel made a payment in the amount of PLN 2.7 million. The case is finally closed.

On December 30, 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 million. The company appealed to SOKiK against the decision. On March 5, 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in remaining scope. Both parties appealed to the Court of Appeals in Warsaw.

Legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication license for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (currently Aero 2 Sp. z o.o.) and Centernet S.A. (currently Aero 2 Sp. z o.o.). Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. The Supreme Administrative Court (NSA), in its ruling dated May 8, 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on September 23, 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation". UKE also stated that the "reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies." On December 23, 2016, the President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated August 4, 2017 the President of UKE notified the parties that the tender dated 2007 has been annulled. On October 13, 2017 Aero 2 Sp. z o.o. (legal successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated August 4, 2017 concerning the annulment of the tender procedure. On January 31, 2018, the President of UKE upheld its decision dated August 4, 2017. On March 7, 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw. The case is awaiting the date of the hearing.

The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with 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 this Report.

Other proceedings

On April 28, 2017, ZASP (Polish Actors Association) filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3 million. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirety. On January 10, 2018, the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. Date of hearing was scheduled for November 14, 2018.

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, 2017 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 data published by the European Commission, a noticeable recovery of economies both of Poland and other EU countries took place in the years 2015-2017. GDP growth for Poland in this period was 3.8%, 2.9% and 4.6%, 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, outperforming corresponding indices for the whole European Union nearly twice fold, will be sustained in 2018 and 2019.

We believe that average consumer spending, including spending on pay TV, mobile telephony, video online, broadband access, bundled services and end-user devices generally will grow in line with the overall GDP growth and further growth of the level of wages in Poland, and will support our future revenue growth. We expect that the positive growth dynamics of GDP in the years 2018-2019 will also have a positive impact on the advertising expenditures in Poland.

Situation on the pay TV market in Poland

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

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

We believe that at present our programming packages offer the best value-for-money on the Polish pay TV market. Moreover, we invest in new, attractive and unique content, as demonstrated, e.g. by the purchase of broadcasting rights to the UEFA Champions League and Europa League for the seasons 2018-2021. This gives us a chance to attract a significant portion of migrating customers to our platform. Moreover, we offer pay TV services as part of our integrated offer, which has a positive impact of the level of loyalty of our customer base and contributes to maintaining a low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still at an early stage of development in Poland as compared to Western Europe or the United States and in our opinion has significant growth prospects, especially in light of the improving quality of broadband links on the market. The launch of services by global players, such as Netflix, Showmax or Amazon Prime, is proof that Poland is considered an attractive market. We consequently develop our services which consist in providing our customers with content on demand – our VOD rental service, the leading online television in Poland, IPLA, as well as our online service Cyfrowy Polsat GO which allows access to content on mobile devices anytime and anywhere. These products are complementary to our core business in the field of pay TV and allow us to broaden our content distribution channels. We are also working on development of customer equipment for pay TV services, manufactured by us, in order to widen the distribution of our services beyond a traditional model of satellite TV access.

Development of the advertising market in Poland

A significant part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels. Demand for advertising airtime is highly correlated with the macroeconomic situation. In the past, given the increasing GDP of Poland, the TV advertising market was characterized by a regular single-digit (in percentage terms) growth rate and in the first half of 2018 it recorded very high growth dynamics of 8.7%. Assuming further positive GDP growth dynamics in the years 2018-2019, we expect continued growth of the Polish advertising market.

In our opinion, television remains an effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, we believe there is still growth potential for TV advertising in Poland in the long term. What is more, the expected high rate of economic growth in 2018-2019 should have a positive influence on the level of advertising expenditures in Poland. It is worth noticing that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime, primarily thanks to new technical opportunities, which include an increasing number of HD channels and VOD, as well as thanks to a growing number of smart-TVs.

Prospects of the online advertising market are also positive. According to the IAB AdEx report, in 2017 online advertising expenditures increased at a rate of 9.3% YoY and reached the value of PLN 3.96 billion. The growth dynamics of this form of advertising is influenced to a significant extent by expenditures in the video advertising segment, in which we generate part of our revenue. In 2017, those expenditures increased by 34% and represented 13% of the total expenditures on online advertising. We believe that thanks to the leading position on the online video market (through IPLA internet television and the Cyfrowy Polsat GO service) we will benefit from the growth of this promising advertising market segment.

Growing importance of thematic channels

With the high penetration of the Polish market by pay TV, that provides viewers with an increasingly greater selection of thematic channels, as well as a broader offer of channels available via digital terrestrial television (DTT), main general entertainment channels (FTA) are experiencing a gradual decline in audience shares. According to data published by Nielsen Audience Measurement, in 2017 the total share of the four leading channels (POLSAT, TVN, TVP1 and TVP2) in the commercial group (16-49 years old) was 37.9%, while in 2016 it was equal to 40.6%.

Furthermore, according to Starcom media house’s data the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience share and advertising market share, we focus on developing our thematic channels portfolio and increasing the attractiveness of the content offered to our viewers. From that point of view, the initiation of cooperation and acquisitions in the field of thematic TV channels, made by the Group in 2018, are perfectly in line with the Group’s long-term strategy to maintain a strong market presence, measured by viewership results, on an increasingly fragmented market. The channels Eska TV, Eska TV Extra, Eska Rock TV, Polo TV and Vox Music TV, acquired in December 2017, significantly strengthen the music programming in Telewizja Polsat while establishment of cooperation in the scope of developing two other channels available via digital terrestrial television, Nowa TV and Fokus TV, attractively complements our comprehensive program range. All channels mentioned above have a strong market position and solid viewership. In connection with the above transaction we expect to achieve synergies in the areas of sales and costs, originally estimated at ca. PLN 15 million per year. Moreover, in June 2018 we included Superstacja, a news channel, into our thematic channels portfolio.

Next step in strengthening our position was starting in May 2018 the strategic cooperation with Eleven Sports in Poland. By taking control over its Polish company, Eleven Sports Network, we gained access to the premium sports content of the highest quality. This represents yet another strategic investment aimed at consistent creating of the best programming offering for our viewers.

Growing importance of convergent services

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

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

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

In the wake of the increasing importance of convergence and bearing in mind the significant level of fragmentation of the broadband access market, it can be expected that the future shape of the Polish telecommunications and media market will be substantially impacted by consolidation trends which have been visible for a long time on more developed foreign markets where mobile and fixed-line operators merge with content providers.

The acquisition transaction of a controlling stake in the fixed-line operator Netia, finalized by Cyfrowy Polsat in May 2018, can serve as the first example of such consolidation in Poland. Thanks to this transaction Polsat Group possessed all assets necessary to provide fully convergent services which shall facilitate better adjustment of the offering to customers' needs and more effective cost management. Already in June 2018 we offered our customers, under a pilot project, Netia's fixed-line broadband Internet, complemented by TV services based on the Internet and voice telephony. We are also working on expanding the offering and availability of our convergent services.

Changes within the area of convergent services apply also to our competitive environment. In June 2018 T-Mobile Polska and Orange Polska signed an agreement based on which T-Mobile shall provide its customers the bitstream access (BSA) services through part of Orange's FTTH backbone network. The agreement covers a 10-year period, with a possibility of an extension for further 5 years, and concerns multifamily houses in the areas not covered by the regulated BSA access with ca. 1.7 million homes passed. T-Mobile plans to launch convergent services, in limited scale, at the turn of 2018/2019 and to introduce fully its commercial offering at the end of the first quarter of 2019. The transaction has not been entered into on exclusivity basis which, on one hand, allows other operators to start cooperation related to wholesale access to Orange's infrastructure and, on the other hand, does not preclude T-Mobile from entering into agreement with other wholesale providers of fixed-line infrastructure.

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 72% constitute smartphones. This disproportion shows that the saturation of our mobile services customer base with smartphones will continue to grow in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. According to estimates presented in the Ericsson Mobility Report dated June 2018, the volume of transmitted data in the Central and Eastern Europe region, to which Poland belongs, will grow eight-fold in the years 2017-2023.

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

Roll-out of competing LTE networks

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

Cooperation between certain telecommunication operators in the scope of network sharing may have a significant effect on the shape of the Polish telecoms market. In December 2016 T-Mobile Polska and Orange Polska signed an agreement, pursuant to which they develop their own LTE networks based on the 800 MHz bandwidth using jointly the network of transmitters of the joint venture NetWorks!, however, without sharing the radio resources owned. In April 2018 both operators informed that they decided to terminate cooperation relating to co-using the frequency resources in 900 MHz and 1800 MHz bandwidths, no later than in 2019. In parallel, T-Mobile and Orange plan to increase capacity of LTE network in their respective bandwidths while simultaneously limiting the resources used for the purposes of providing services in 2G technology. Moreover, the operators pursue refarming of their own 2100 MHz bandwidths for the needs of LTE technology and at the expense of limiting 3G technology.

In turn, in June 2018 the operator of Play network informed that it reached the level of 6,000 own sites which are being rolled-out under the investment program aimed at reaching nationwide coverage footprint by the year 2020 and constructing in total 9,000 own sites. The expansion of Play's network is intended to reduce the operator's reliance on national roaming services, presently used by Play to ensure nationwide coverage for its customers. At the same time Play customers can count on an improvement of quality of services provided by the operator in the future. Currently, Play often reduces the quality of provided services to avoid excessive costs of purchase of wholesale national roaming services.

In our opinion the significant improvement of the quality of LTE mobile broadband services provided by our competitors, pursued to a large extent by optimization of the possessed frequency resources (refarming), 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.

Information on seasonality

Wholesale revenue includes *inter alia* advertising and sponsoring revenue which tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer. In the year ended December 31, 2017, TV Polsat Group generated approximately 20.8% of advertising revenue in the first quarter, 27.4% in the second quarter, 20.6% in the third quarter and 31.1% in the fourth quarter.

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

Other revenues are not directly subject to substantial seasonal fluctuations.

5.4.2. Factors related to the operations of the Group

Growing importance of integrated services

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

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

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

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

Strengthening of our market position in integrated services thanks to the acquisition of Netia

Thanks to the acquisition of a controlling stake in Netia we have expanded our portfolio with a wide range of fixed-line products and services, in particular with fixed-line broadband Internet offered, among others, in fiber optic technologies. Netia's services are being rendered via own access networks with over 2.5 million homes passed in approximately 180 locations. They are also supported by an extensive, nationwide backbone infrastructure. Moreover, Netia offers fixed-line Internet services based on regulated access to Orange Polska's network.

Netia's fiber-optic, nationwide backbone infrastructure perfectly complements our own infrastructure. It will allow for quick and efficient expansion of the capacity of our mobile network, thus strengthening our competitive advantage and will improve flexibility in planning the development of our joint telecommunication network in the future. At the same time, the reach of Netia's last mile network which allows for the provision of fixed-line broadband access in the NGA standard, opens a new market for Polsat Group – large cities and urban areas. Thanks to this we are gaining a new, attractive base of residential customers, thus increasing significantly our potential for cross-selling products and services as part of the multiplay strategy.

At the same time, we are also substantially improving our position in the business customers segment. We anticipate that the acquisition of Netia, who owns an extensive fixed-line network reaching the majority of the biggest Polish office buildings and has broad competence in serving business customers, will enable us to significantly improve our current competitive position on this market of convergent services for business customers. In particular, by working together we will be able to develop comprehensive offers tailored to customers' individual requirements while optimizing, or eliminating, additional costs associated with the construction of a dedicated telecommunication infrastructure for such customers, which will offer us an opportunity to compete more effectively with other telecommunication operators.

Investments in network roll-out and spectrum refarming

In the first half of 2018, residential customers of Cyfrowy Polsat and Polkomtel transferred ca. 448 PB of data. Striving to maintain a high quality of provided services, we continue to invest in our telecommunication network roll-out. In particular, upon having approached the level of coverage of over 99% of the population with our LTE network, we are currently focusing on expanding the capacity of our telecommunication network and extending the coverage footprint of LTE-Advanced, which already reaches 54% of Poles, as well as expanding our territory coverage in Poland.

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

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

The next crucial phase in the development of our network consisted in the refarming of the 900 MHz and 2100 MHz spectrum, resulting in the allocation of part of the bandwidth previously used for 2G and 3G services to LTE and LTE-Advanced technologies. In particular, we have released the 900 MHz bandwidth, used so far for the provision of services in the 2G technology, on the entire territory of Poland, and are currently migrating traffic provided in new and definitely more effective technologies to this frequency. By the end of the first half of 2018 we have already put into operation for our customers over 3,100 LTE base stations based on the 900 MHz band frequency. We conduct intensive work aimed at constructing over 6,000 LTE900 stations by the end of 2018.

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

Development of IPLA

IPLA, the leader on the online video market, strengthens our position as aggregator and distributor of content and ensures an important competitive advantage. We continue to develop the service using our experience in sales of pay TV, which helps us achieve synergies in terms of costs and revenues.

Mobile video traffic is the fastest growing segment of global mobile data traffic. According to estimates presented in the Ericsson Mobility Report dated June 2018 in the years 2017-2023 data consumption of video content will increase at an average annual rate of 45%, reaching ca. 73% of the entire data traffic in 2023. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future. Starting from August 2018 a dedicated sports package "IPLA Polsat Sport Premium" is available in IPLA web service. The package offers live broadcasts, without ads, of all the UEFA Champions League matches as well as the UEFA Europa League games to which Polsat Group has acquired exclusive broadcast rights. The package will be offered both to the Group's current customers as well as other operators' customers in two pricing options.

Attractive content of our TV channels and monetization of sports rights

We offer the biggest and most versatile portfolio of TV channels on the Polish market, which places us in the leading position in terms of viewership among private television groups in Poland and translates into our share in the advertising market. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as solely created concepts. Moreover, we have contracts with major film studios which provide access to a wide selection of the most attractive films and series.

An important element that differentiates us on the market is a rich and unique broadcasting offer of the largest and the most interesting sports events worldwide. We offer, among others, broadcasts of qualifiers to the UEFA EURO 2020, FIFA World Championships 2022, two editions of the football Nations League 2018/19 and 2020/21, big volleyball tournaments – the men's and women's World Volleyball Championships 2018 and 2022, new, attractive games of the volleyball Nations League (2018-2024), the 2019 and 2023 World Cup, qualifying competitions for the Olympic Games in Tokyo (2020) and Paris (2024), Plus Liga and Orlen Liga, boxing and mixed martial arts galas (KSW, FEN and UFC), Wimbledon and ATP 1000 and 500 tournaments, and many others. Additionally, in 2017 we acquired rights to the most popular football club competitions – the UEFA Champions League and UEFA Europa League (for the years 2018-2021). Thanks to taking control in May 2018 over the Polish company Eleven Sports Network, we have gained access to attractive sports rights which are sold as program packages to pay TV operators active on the Polish market. The above mentioned premium sports content include Spanish LaLiga Santander, German Bundesliga, Italian Serie A TIM, English The Emirates FA Cup, F1™ and Polish and foreign speedway. Unique content represents an important element that builds the value of our pay TV offering.

We believe that attractive content, including exclusive content that is not available in the offer of other pay TV operators is a significant competitive advantage over other pay TV operators in Poland.

5.4.3. Factors related to the regulatory environment

International roaming in mobile networks

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

Pursuant to the Resolution of the European Parliament and Council of November 25, 2015, as of June 15, 2017 retail charges for regulated roaming services were levelled with domestic charges (the *Roam Like at Home* regulation). The majority of tariff plans used on the Polish market include the so-called unlimited tariffs which enable making unlimited domestic calls and sending an unlimited number of short text messages against a fixed monthly subscription fee, and incoming voice calls on the Polish market are free-of-charge, as a general rule. In view of the above, the implementation of the *Roam Like at Home* regulation translated into the reduction of the stream of telecommunication retail revenue of all operators who have fully implemented this regulation, including Polsat Group.

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

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

Despite the considerable reduction of the maximum settlement rates introduced in parallel with the implementation of the *Roam Like at Home* regulation, the hike in the traffic volume generated by our customers roaming abroad translates into a significant growth of costs related to the purchase of roaming traffic, which in the case of services provided on the territory of the EEA, generates losses on selected roaming services. In order to mitigate this negative effect we have been actively renegotiating our wholesale agreements with the view of reducing costs related to the purchase of roaming traffic, which leads to a reduction of the rate of growth of these 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 all the largest operators present on the Polish market, i.e., Polkomtel, Orange Polska, T-Mobile Polska and P4, Play mobile network operator, have received a consent of Predisent of the Office of Electronic Communications (UKE) and applied the surcharges, however the method of their implementation is different.

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

Proposal to cap prices for international calls and text messages

As part of the ongoing works on the Directive of the European Parliament and of the Council establishing the European Electronic Communications Code, provisions regulating prices for international voice calls and text messages within the EEA were included in the draft document. The draft law provides for the introduction of the maximum retail prices that operators will be able to charge for these services. The proposed price caps are 19 eurocents per minute of an outgoing international voice call and 6 eurocents for an international text message sent (prices excluding VAT). It is assumed that the proposed provisions are included into the Roaming Regulation and become effective as of May 15, 2019.

5.4.4. Financial factors

Exchange rates fluctuations

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

Foreign exchange rate fluctuations have historically affected the level of our operating costs, finance costs, as well as the profit or loss on investing activities, and are expected to do so in the future. In particular, our exposure to foreign exchange rate fluctuations stems from our foreign currency payments made in different areas of our operations. These include, among others, payments for license fees, transponder capacity lease, purchase of content and equipment, or international roaming and interconnect agreements.

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

Interest rate fluctuations

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

Despite the fact that the Group intends to maintain certain hedging positions the goal of which is to hedge against WIBOR fluctuations, there is no certainty that such a hedging will be still possible or whether it will be available on acceptable terms. The Group analyzes its interest rate risk on an on-going basis, including the refinancing and risk hedging scenarios, which are used to estimate the impact of the specific interest rate fluctuations on our financial result.

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

5.4.5. Influence of changes in financial reporting standards

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

IFRS 9 Financial Instruments

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

The Group does not identify material rights.

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

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

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

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

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

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

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 *Leases*. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group did not decide to implement IFRS 16 earlier.

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

Implementation of IFRS 16 will increase depreciation and financial costs which will result in an increase of EBITDA, assets and liabilities (due to the recognition of a right-of-use asset and a lease liability) as well as an increase of debt ratio. The Group assesses that the agreements for base transceiver stations and space rental, which are currently presented as operational lease, may result in recognizing right-of-use assets and liabilities due to an obligation to pay for these rights.

The Group is currently assessing the impact of IFRS 16 on the consolidated financial statements. Future minimum lease payments under operating lease pursuant to currently effective standards are presented in Note 32 of the consolidated financial statements for the financial year ended December 31, 2017.

6. Risk factors

6.1. Risks related to our business and the sector in which we operate

The results of our operations in the telecommunications sector depend on the ability to effectively encourage the existing customers to use a wider range of our services, win customers from competitive mobile and fixed-line operators, as well as the ability to reduce churn

It is expected that further growth of our operations on the mature Polish mobile telephony market will chiefly depend on the ability to effectively encourage the existing customers to use a wider range of services offered by us, win customers from competitive mobile and fixed-line operators, as well as the ability to reduce the churn rate. The Group cannot give any assurance that the measures it is undertaking will encourage its existing customers to use a wider range of services or attract customers from competitive mobile and fixed-line operators, or that the measures we are undertaking to increase customer loyalty will reduce the rate of churn or allow the Group to maintain the current churn rate. If we are unable to effective manage the churn rate, we may be forced to significantly reduce our costs to maintain satisfactory profit margins, or to take alternative steps, which could in turn result in higher costs of customer acquisition and retention.

In addition, the mobile telecommunications industry is characterised by frequent developments in product offerings, as well as by advances in network and end-user device technology. If we are unable to maintain and upgrade our network and provide customers with an attractive portfolio of products and services, we may not be able to retain customers or the customers' retention costs may increase. Likewise, if we fail to effectively advertise our products and services, acquisition of new customers may be impossible or very difficult.

Additionally, competing mobile operators may improve their ability to attract new customers, or offer their products or services at lower prices, improve their attractiveness for customers, which could make it more difficult for us to retain the current customer base, and the costs of retaining and acquiring new customers could increase.

All such events could have a material adverse effect on the results of our operations, financial condition and prospects.

Our performance depends on our customers' satisfaction, the acceptance of our programming content by viewers, as well as our ability to generate profit from our own productions or from acquired broadcasting rights

We operate on markets where a commercial success primarily depends on customer satisfaction and acceptance of programming content, and viewers' reactions are often difficult to predict. We strive to acquire and retain pay TV customers by providing them with access to a broad range of channels, including sports, music, entertainment, news, children's, educational and film channels, all main terrestrial television channels available in Poland, as well as HD and free-to-air TV and radio channels. Whether customers are satisfied with our programming is vital for our ability to acquire and retain customers, as well as to generate and increase customer revenue.

Our ability to generate advertising revenue in the TV production and broadcasting segment depends almost entirely on viewers' demand for our programmes. Audience shares achieved by programmes we broadcast directly affect both the attractiveness of our television channels to existing and potential advertisers and rates we are able to charge for advertising time. In the TV broadcasting and production segment we also generate revenue from production and sale of television programmes to third parties operating in Poland and, to a lesser extent, abroad. Prices which we are able to receive from potential buyers of our own productions are directly linked to the audience for those programmes, as third-party buyers, interested in generating advertising revenue, look for programming contents with highest viewership numbers.

Demand for TV programmes and programming preferences change frequently, irrespective of the media on which they are carried. We might not be able to attract or retain customers to our pay TV services and advertisers, if we are not able to effectively predict demand for programmes or changes in audience tastes, or if our competitors prove better at such predictions. This may bring about an increase in customer churn, while in the TV production and broadcasting segment it may result in decreasing audiences for our programmes and subsequent difficulties in acquiring advertisers.

To some extent, the profitability of our operations depends on our ability to produce or obtain broadcasting rights to the most attractive programmes in a cost-effective manner. While costs of in-house productions of television content are usually higher than costs of purchasing third-party programmes, we believe that a larger number of Polish programmes broadcast on our channels will increase viewers' demand and consequently increase the demand from advertisers. However, there can be no assurance that financial outlays we have made or will make in the future on Polish programming production will be fully recovered or that we will be able to generate revenue high enough to offset those costs.

Consequently, if customers do not accept our programming offer or we are unable to produce programmes or acquire broadcasting rights in a profitable manner, it may have a material adverse effect on our financial condition, results of operations or prospects.

We may be unable to attract or retain customers and advertisers if we fail to conclude or extend the license agreements under which we distribute key programs

Our performance depends on our ability to acquire attractive television programmes. Our pay TV customers' access to television channels depends entirely on our purchase of licences from TV broadcasters. In the TV production and broadcasting segment, we independently produce certain TV programmes, while other TV programmes and content are broadcast under licence agreements. Our licence agreements are usually concluded for definite periods, usually two to three years for films and TV series, and three to seven years for sports programmes. Under certain circumstances, a licensor may terminate a licence agreement before it expires without our consent. This is particularly likely if we fail to fulfil our obligations, including the obligation to pay licence fees. In order to acquire and retain customers and advertisers, it is necessary to maintain an attractive selection of TV programmes. There can be no assurance that our licence agreements will be extended on equally favorable terms or that they will be extended at all, nor can we exclude the possibility that a licensor will terminate the licence agreement before its agreed expiry date. Our inability to obtain, maintain, or extend important programme licences may make it difficult for us to provide and offer new attractive channels and programmes, which may result in losing our ability to acquire and retain customers and advertisers. This in turn may have a material adverse effect on our performance, financial condition and growth prospects.

Our ability to increase sales of our services depends on the effectiveness of our sales network

We operate an organised and specialised Poland-wide sales network, which distributes products and services offered by our Group. Because of growing competition with other pay TV providers and telecommunications services providers, as well as rapid increase in wages observed on the domestic labor market we might have to raise fees paid to our distributors in order to expand the sales and distribution network, and change the channels we are using to distribute our services. Any potential increase of fees paid to distributors in our sales and distribution network will result in higher operating costs and probably lead to lower profit from operating activities. Furthermore, if we decide that our distribution network requires extensive reorganisation or reconstruction, we may face the need to incur substantial financial outlays. Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

In our business, we depend on third-party providers for certain services, infrastructure or equipment. If these are delivered late or if they are not delivered at all our services may delayed or even suspended

Our ability to grow our customer base depends on our ability to provide high-quality, reliable services and products. In offering products and services, we rely on a number of third-party providers of network, services, equipment and content over whom we have no control.

We collaborate with a number of third parties in providing our pay TV, broadband Internet access and mobile telephony services. Our ability to deliver pay TV services to the customers depends on the correct operation of the infrastructure and equipment belonging to the entities with which we collaborate. For instance, we lease transponders from Eutelsat S.A. to deliver digital signal via satellite to our customers in Poland. Our customers' antennas are usually adapted to receiving signals delivered through transponders leased from Eutelsat S.A. In order to switch the satellite operator in the event of our failure to extend a contract, or in the event of contract termination by Eutelsat S.A., or for other reasons, we would be forced to find an alternative provider of satellite transmission capacities and potentially reposition our customers' satellite antennas, which would be a cost- and time-consuming process considering the size of our customer base.

To broadcast our terrestrial channels, we use the services provided by Emitel Sp. z o.o. We also rely on another third-party contractor, Nagravision S.A., which provides to us a conditional access system to secure our networks against unauthorised access by pirates and hackers. Our broadcasting services also rely on a number of third-party contractors, and we outsource a number of non-core activities (including certain IT functions) not related to our broadcasting business. These, and other services, are often central to our operating activities.

The provision of our services may be disrupted or interrupted if any of our partners is unable to, or refuses to, perform their contracted services or provide access to infrastructure or equipment in a timely manner, on acceptable terms or at all. These and other disruptions or interruptions may have a material adverse effect on our business, financial condition, results of operations or prospects.

A possibility of provision of telecommunications services depend to a large degree on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, including those our direct competitors. In particular, part of services rendered by Netia Group are provided based on regulated access to Orange Polska's infrastructure. We also rely on third-party operators for the provision of international roaming services to our customers. While we have interconnection, infrastructure access and roaming agreements in place with these operators, we do not have direct control over the quality of their networks and the interconnections and roaming services they provide, due to the fact that we do not have direct control over availability or quality of networks of such operators or interconnect and roaming services, there can be no assurance that availability and quality of services provided by such other operators will be in accordance with contract. Any difficulties or delays in interconnecting with other networks and services, the failure of any operator to provide reliable interconnections, regulated access or roaming services on a consistent basis or early termination of any of material interconnection, regulated access or roaming agreements could result in an inability or limited ability to provide services to our customers or in a deterioration of quality of the services, which in turn can lead to loss of customers or decreased usage of our services, and consequently have a material adverse effect on our performance, financial condition and growth prospects.

In addition, we rely on continued maintenance and supply services rendered by manufacturers of telecommunications equipment, including Nokia Solutions and Networks, Ericsson and Huawei. Continued cooperation with some of them is important for us to maintain our operations without disruption. We also rely on agreements with external suppliers of handsets and modems (including Samsung, Sony, LG, Lenovo, Huawei and Microsoft Mobile) and providers of IT services (including Huawei, Intec Billing, CGI, Infovide Matrix, Oracle). We do not have any control over our key suppliers and have limited influence on the manner in which these key suppliers perform their obligations under concluded contracts. There can be no assurance that these providers will not terminate their contracts with us, extend them upon expiry, extend them on the same or more favorable terms, or that we will be able to acquire the necessary equipment and services in the future from these or other suppliers, in required amounts and at the right time, or at all. Accordingly, due to dependence on third-party suppliers, we are exposed to the risk of delayed provision of necessary services or equipment or lack of such provision.

If such third-party providers do not perform their contractual obligations towards us or do not adjust to changes in requirements of the Group's companies, or are unable or refuse to provide services or deliver infrastructure or equipment, on which the possiblity of timely and economically justified provision of certain serivces and products to our customers depends, our customers may experience service interruptions, which could adversely affect the perceived quality of our services and products, therefore, adversely impact the brand and reputation of the Group's companies, thus affecting our business, financial condition, results of operations or prospects.

We may be unable to keep pace with new technologies used on markets, on which we operate

The technologies used in broadcasting and delivering pay TV, mobile and fixed-line telephony and broadband Internet access develop extremely quickly, which is why there can be no assurance that we will be able to introduce new and/or enhanced technologies, services and products in a fast and efficient enough way.

Compression, signal encoding and customer management systems vital to the correct functioning of our satellite centre, software of set-top boxes manufactured by us, as well as other software and technologies used by us and our suppliers, must be constantly updated and replaced to match the latest technological developments. Our inability to replace obsolete technological solutions may result in disruption of our pay TV services, which may in turn cause an outflow of customers to competitors who have brought their technologies up to date.

Technological progress requires us to modify our content distribution and TV programming methods to keep pace with the changing market. New technologies – including new video formats, IPTV, Internet streaming and downloading services, video on demand (VOD), mobile television, set-top boxes with recording capability, as well as other devices and technologies – introduce new media and entertainment options and change the way customers receive content. This allows them to enjoy television outdoors or at any chosen time, without commercials and to a custom schedule. Such technologies are growing in popularity and are becoming easier to use, yet the resulting fragmentation of TV viewers may cause a general decline in TV advertising revenues.

It is expected certain communications technologies that are currently under development, including LTE-Advanced or 5G, as well as fibre optics technology allowing for faster data transmission at lower unit costs, to become increasingly important in the markets in which we operate. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. We cannot currently predict how emerging and future technological changes will affect the Group's operations, nor can we predict whether new technologies required to support our planned services will be available when expected, if at all.

Furthermore, fixed-line broadband services are associated with a need for investments in modernization of access networks. Some market players are currently conducting large investments programs which allow to significantly increase throughput provided to end-users. In particular, Orange Polska plans to cover with its FTTH *(Fiber To The Home)* network ca. 5 million households by year 2020 and, moreover, a governmental program of construction of broadband fiber optic networks using subsidies from the European Union funds *(POPC – Operating Program Digital Poland)* is underway. We are not able to guarantee that upon completion of the modernization of our access network the demand for our fixed-line broadband services will be sufficient to reach our revenue targets.

Given the fast pace of technological change and customers' growing expectations, and considering the risk that our competitors may offer telecommunications products and services that are based on new technologies which are more advanced, less costly or otherwise more attractive to customers than those provided by us, we may be required to rapidly deploy new technologies, products or services. The rapid evolution of technology in the markets in which we operate and the complexity of our information technology systems, as well as a number of other factors, including economic ones, may affect our ability to timely launch new technologies, products or services. We cannot guarantee that we will correctly predict the development of new technologies, products or/and the demand for products and, therefore, that we will at an appropriate moment engage appropriate amounts of capital and resources to develop the necessary technologies, products or services that will satisfy existing customers and attract new customers. If we fail to implement new technologies, products or services or implement such new technologies, products or services too late, it may render our technologies, products or services less profitable or less attractive than those offered by its competitors. In addition, new or enhanced technologies, services or products we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. We may also be unable to recover the investments it has made or may make to deploy these technologies, services and products and therefore no assurance can be given that we will be able to do so in a cost efficient manner, which would also reduce our profitability. Moreover, we may not be able to obtain funding, in sufficient amounts on reasonable terms, in order to finance capital expenditures necessary to keep pace with technological developments and with the competitors.

Failure on our part to adapt our products and services to the changing lifestyles and preferences of our customers, or to make sufficient use of new technologies in our activities, may have a material adverse effect on our business, financial condition, results of operations or prospects.

Alleged health risks of wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations

In the past, reports have been published alleging that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from mobile handsets and other mobile telecommunications devices. There can be no assurance that further medical research and studies will not prove that there are health risks associated with the effects of electromagnetic signals.

The actual or perceived risk of mobile telecommunications devices, press reports about risks posed by such devices or consumer litigation relating to such risks could result in decreased mobile usage, reduction in the number of customers, increased difficulty in obtaining sites for base stations and exposure to potential litigation or other liabilities. In addition, these health concerns may cause authorities to impose stricter regulations on the construction of the components mobile telecommunications networks, such as base transceiver stations or other telecommunications network infrastructure, which may lead to an increase in our operating costs in the segment of services to individual and business customers, and may hinder the completion of network deployment, or may increase costs of such development. Such events may have a material adverse effect on our business, financial condition, results of operations or prospects.

We are exposed to the risk of fraudulent activities by customers

Given the nature of the telecommunications market stemming from the manner of making interconnect settlements related to the exchange of domestic and international telecommunications traffic, incurring wholesale costs realted to traffic generated by our customers when using telecommunications networks of foreign operators (roaming) and fees for sold premium services, some of our customers use telecommunications services in a way that differs from the standard method of their use by the end user, e.g. by terminating mass traffic in the network of another operator while bypassing wholesale interconnect settlements. This phenomenon may intensify in particular as a byproduct of the implementation of roaming regulations (Roam like at home). We prevent such behaviour by analysing any abnormal traffic patterns on individual SIM cards. If such traffic patterns are identified, the card can be immediately deactivated, in accordance with the service provision regulations. However, there can be no assurance that we will be sufficiently effective in preventing this type of fraud. If we do not identify a fraud or identifies a fraud with a delay, we may be exposed to additional costs or lose some revenue due to us, which can have a material adverse effect on our business, financial condition or growth prospects.

We might be unable to maintain good name of the Cyfrowy Polsat, Plus, Telewizja Polsat, IPLA, Netia, TV4 and TV6 brands

The good name of the "Cyfrowy Polsat," "Plus," "Telewizja Polsat," "IPLA,", "Netia", "TV4" and "TV6" brands is a significant component of Group's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers and advertisers. Our reputation may suffer if we are unable to provide existing products and services or implement new products and services due to technical faults, a lack of necessary equipment, or other circumstances. Also, the quality of our products and services depends on the quality of third-party infrastructure and services, over which we have little control. If our partners fail to observe relevant performance standards or supply faulty products or services, the quality of our products and services, as well as our good name may suffer. There can be no assurance that these or other risks, which would compromise the good name of our most important brands, will not materialise in the future. Any damage to our good name may have a material adverse effect on our business, financial condition, results of operations or prospects.

Goodwill and brand values may be impaired

Following the acquisitions made in the past, in particular of Telewizja Polsat, Polkomtel, Netia and Aero2 (the legal successor of the company Midas), we have carried considerable amounts of goodwill and intangible assets, representing brand value, on our balance sheet. We test the goodwill and brand value allocated to our business segments for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions we apply in impairment testing may have a material adverse effect on our business, financial condition, results of operations.

We may lose our management staff and key employees

Our performance, as well as successful implementation of our strategy, depend on the experience of our management staff and the commitment of our key employees. Whether we are successful in the future will depend partly on our ability to retain the Management Board members who have made considerable contributions to the development of our company, as well as to acquire and retain qualified employees who will ensure effective operation of our business segments. In the television and telecommunication sectors, both in Poland and worldwide, there is strong competition for highly qualified employees. Therefore, no assurance can be given that in the future we will be able to acquire or retain Management Board members or qualified employees. Loss of our key managers or our inability to acquire, properly train, motivate and retain key employees may have a material adverse effect on our business, financial condition, results of operations or prospects.

Disruptions to set-top box production may adversely affect our reputation and increase customer churn

To reduce acquisition costs of satellite TV reception equipment and to be able to offer our pay TV customers the option to or lease set-top boxes at lower prices, we are currently producing most of the set-top boxes we offer to our customers at our manufacturing plant in Mielec. Set-top boxes manufactured by us accounted for a majority of all the set-top boxes leased by us. Should any batch of the set-top boxes we have manufactured prove defective and need to be withdrawn from the market, we are under the obligation to replace the set-top boxes we have made available to our customers. Furthermore, the withdrawal of reception equipment due to a confirmed epidemic defect could be harmful to our reputation.

Any problems with production of set-top boxes would force us to acquire larger numbers of set-top boxes from third-party suppliers. There can be no assurance that we will be able to purchase a sufficient number of set-top boxes from third-party suppliers when required. Furthermore, the cost of acquiring from third-party suppliers of the vast majority of set-top box models we offer would be much higher than the cost of manufacturing them at our own plant. If we were unable to obtain set-top boxes from third-party suppliers on satisfactory pricing terms, we might have to raise the prices for our customers to cover our increased expenses. Moreover, if the deliveries of set-top boxes we managed to procure were insufficient to meet the demand, our reputation among our current and potential customers would suffer. As our production of set-top boxes is based on components purchased from third-party contractors, there is a risk that we lose access to such components, for instance due to discontinuation of their production or changes in technologies or products. Losing access to certain components would force us to redesign our set-top boxes, which could affect continuity of their production and supplies to our customers.

Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current customers or adversely affect our ability to acquire new customers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation and lead to erosion of our brand value, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Network infrastructure, including information and telecommunications technology systems, may be vulnerable to circumstances beyond the Group control that may disrupt service provision

The mobile telecommunications business depends on providing customers with both reliable service, network capacity and security. The services we provide may encounter disruptions from many sources, including power outages, acts of terrorism and vandalism and human error, as well as fire, flood, or other natural disasters.

Base transceiver stations, where radio equipment is installed, form a crucial element of our network infrastructure. The stations are erected at various, often remote locations, in scarcely populated areas. Such location of certain stations poses a greater risk of theft or acts of vandalism, including by persons objecting to base transceiver stations being erected at particular locations.

Part of the Group's network infrastructure is located on the premises of third parties. Disputes between these third parties and Group companies, failure of third parties to properly perform their contractual obligations, as well as a number of other factors and events may cause part of our network infrastructure to be inaccessible, which could adversely affect our ability to efficiently operate, maintain and upgrade its network infrastructure.

In addition, we could experience interruptions of our services due to, among other things, software bugs, computer virus attacks, or unauthorised access. Any interruptions in our ability to provide services could seriously harm our reputation and reduce customer confidence, which could materially impair our ability to attract and retain customers in both the retail and wholesale segments. Such interruptions could also result in an obligation to pay contractual penalties or cause our customers to terminate their agreements or the imposition of regulatory penalties due to violations of the terms of frequency allocation. They might also result in a need to incur significant expenditure to restore the functionality of the telecommunications network and guarantee reliable services to customers.

In order to provide pay TV services to our customers, we rely primarily on our satellite centre, as well as satellite transponders, customer management system, reporting systems, sales support system, and customer relationship management system. Any failure of the individual components of our satellite centre, including failure of satellite transponders or any intermediate link, may result in serious disruption or even suspension of our activities for a certain period. In the TV production and broadcasting segment, the IT systems are used primarily for management of advertising scheduling, programme broadcasting, and maintaining relations with advertisers. Failure of any of our IT systems may prevent us from carrying out our operations successfully, while restoring them to full working condition may require significant financial outlays.

Such events may have a material adverse effect on our business, financial condition, results of operations and prospects.

The necessity to obtain building permits may delay or prevent roll-out of the telecommunication networks

The roll-out of our network infrastructure, including in particular the construction and installation of base transceiver stations, might require obtaining building permits. No assurance can be given that all the necessary building permits will be obtained or that they will be obtained when originally anticipated, which would pose the risk that work on development of the network infrastructure may have to be discontinued, or may be considerably delayed. Furthermore, any building permit that is obtained may in certain circumstances be revoked, even after a given component of network infrastructure is put into operation, which may in certain circumstances lead to suspension of the operation of the network component and require a legalisation procedure to be carried out or, if such procedure is not possible, the infrastructure component to be disassembled.

The necessity to limit expansion of our network infrastructure due to its failure to obtain the required building permits, delays in infrastructure development or − when a building permit is revoked − the obligation to discontinue operation or to disassemble an infrastructure component, may have a material adverse effect on our business, financial condition, results of operations or prospects.

We could become a party to labor disputes or experience growth of employment costs

In spite of correct relations with our employees, we may not rule out the risk of occurrence work disruptions, disputes with employees, strikes or significant growth of labor costs in one or many of our companies. Each of the above events could prevent our ability to satisfy customer needs or lead to growth of labor costs which would reduce our profitability. In addition any employee-related problems affecting external companies providing services or technologies to us could also have adverse impact on us if they hinder our ability to obtain the required services or technologies on time or the ability to offer the expected quality. All disruptions of this type may have a material adverse effect on our business, financial condition or prospects.

Two trade unions are active at Polkomtel: Niezależny Samorządny Związek Zawodowy Solidarność (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions). As at June 30, 2018, 119 employees (expressed as full-time equivalents), or ca. 3.5% of the total workforce of Polkomtel Group were trade union members. Trade union organization are also active in Netia Group over which Cyfrowy Polsat Group took control effective May 22, 2018. At the date of approval of this Report, we had no knowledge of any disputes with trade unions or any other collective disputes at Polkomtel. However, involvement in lengthy negotiations with the trade unions or in collective disputes cannot be ruled out; strikes, work interruptions or other industrial action (triggered, for example, by an attempt to optimise the employment level or labour costs or the need to restructure the workforce), as well as employees' pay rise demands may also be experienced. The occurrence of strikes, significant disputes with the trade unions active at Polkomtel or increase in employment costs may disrupt Polkomtel's operations, preventing it from timely or cost-effective provision of services to its customers, which can have a material adverse effect on our business, financial condition, results of operations and prospects.

The administrative and court proceedings in which we are involved may result in unfavorable rulings

We were, and currently are, party to a number of past or pending administrative and court proceedings in connection with our business. Therefore, there is a risk of new proceedings being instituted against us in the future, outcomes of which may prove unfavorable (including those instituted in connection with claims made by organisations for collective administration of copyrights). Under Polish copyright law, we are required to pay fees for collective administration of copyrights to organisations that collect royalties on behalf of authors of copyright-protected works we broadcast or distribute as part of our operations. Such fees are charged in accordance with licence agreements signed with these organisations. Although relevant agreements are in place with several organisations for collective administration of copyrights, there is a risk that claims will be brought against us by other such entities. We are in turn a party to administrative and court proceedings, including the ones which have been initiated by regulators, competition and consumer protection office, tax authorities as well as disputes and court proceedings involving third party entities.

Any unsuccessful court, arbitration and administrative proceedings may have an adverse effect on our business, financial condition, results of operations or prospects.

Should any claims related to the infringement of third-party intellectual property rights be brought against us, we may be forced to incur substantial expenses to defend against those claims, to acquire a licence for a third-party technology, or to redefine our business methods to eliminate the infringement

Our business success depends largely on third-party intellectual property rights, particularly rights in advanced technologies, software, and programming content. No assurance can be given that we have not, or that we will not in the future, infringe any third-party intellectual property rights. Any such infringement may result in claims for damages being brought against us by third parties. We may also be placed under an obligation to obtain a licence or acquire new products which would enable us to conduct our business in a non-infringing way, or we may have to expend time, human and financial resources to defend against claims of infringement. Expenditure on defending against intellectual property infringement claims or obtaining necessary licences, and the need to employ time and human resources, including the management staff, to handle issues related to absence or infringement of intellectual property rights, may have a material adverse effect on our business, financial condition, results of operations or prospects.

Our own intellectual property rights and other means of protection may not adequately protect our business, and insufficient protection of our programming content, proprietary technologies and know-how may cause profit erosion and customer churn

A large proportion of our products make use of proprietary or licensed content, delivered through our broadcast channels, interactive TV services, and pay TV. We establish and protect our property rights on distributed content relying on trademarks, copyrights, and other intellectual property rights, but no assurance can be given that these rights will not be challenged, revoked or disregarded.

Even if our intellectual property rights remain in full effect, no assurance can be given that our protection and anti-piracy measures will successfully prevent unauthorised access to our services and theft of our programming content. Furthermore, our proprietary content and the content we use under licences may be accessed, copied or otherwise used by unauthorised persons. The risk of piracy is particularly harmful to our segments of TV production and broadcasting and the distribution of paid content. Media piracy is a problem well known in many geographies, including Poland. Technological advancements and digital conversion of multimedia content are powerful incentives for pirating, as they enable the production and distribution of high-quality unauthorised copies, recorded on various carriers, of pay-per-view programmes delivered via set-top boxes, licence-free or free-to-air transmissions on television or the Internet. This is further exacerbated by the difficult enforcement of the laws governing copyright and trade-mark infringements on the Internet, which compromises the protection of our intellectual property rights in that medium. Unauthorised use of our intellectual property may adversely affect our operations, harming our reputation and undermining our trading partners' confidence in our ability to properly protect our proprietary and licensed content, which in turn may have a material adverse effect on our business, financial condition, results of operations or prospects.

Our broadcasting licences may be revoked or may not be renewed

Our business operations in the broadcasting and television production segment require that we obtain licences issued by the National Broadcasting Council (KRRiT). These licences may be revoked or may not be renewed. In our segment of services to individual and business customers, broadcasting of TV programmes by DTH service providers requires no licence, only registration by the Chairperson of KRRiT.

To keep our TV broadcasting licences, we must comply with the applicable laws and the terms and conditions of the licences. Failure to comply with the applicable laws or breach of the terms and conditions of a broadcasting licence, especially with respect to the period within which we must commence broadcasting of a channel, could lead to the licence being revoked or a fine being imposed on us. Our broadcasting licences may also be revoked if we are found to be conducting activities in violation of the applicable laws or the terms and conditions of our broadcasting licences, or we fail to remedy such violation within the applicable grace period. In addition to licence revocation, there is also a risk that licences granted by KRRiT will not be renewed.

If any of our broadcasting licences or the Group's frequency allocation are not extended, are revoked or extended on unfavorable conditions, the Group may be forced to suspend the provision of some services temporarily or permanently, may be unable to offer services based on a particular technology or may have to incur substantial expenditure, all of which may have a material adverse effect on our business, financial condition, results of operations or prospects.

Polsat Group's current frequency allocations may be revoked or may not be renewed on acceptable terms or at all

We base our business activities in the segment of service to individual and business customers, in particular with respect to telecommunicaiton services, on acquired frequency reservations. All frequency allocations have been issued to companies belonging to Polsat Group for a definite term. There can be no assurance that our frequency allocations will be extended prior to their expiry. In particular, pursuant to the Telecommunications Law, Polsat Group's frequency allocations may not be extended or may be revoked by the President of UKE in case of a substantial breach of the terms of its use, or if revocation of the frequency allocations follows from the necessity to ensure equal and effective competition or substantially better use of frequencies, especially if the extension of the allocation would lead to excessive frequency concentration at Polsat Group.

To maintain the frequency allocations, companies belonging to Polsat Group must comply with the terms of the allocation, as well as relevant laws and regulations introduced by the President of UKE and the Minister of Digital Affairs. Any breach of those terms, laws or regulations, including in particular failure to pay frequency allocation fees, may cause the allocation to be revoked and penalties to be imposed on the given company. In particular, given that the regulations and laws governing the Polish telecommunications industry are very complex and often change, there can be no assurance that companies belonging to Polsat Group will not breach any laws or regulations related to frequency allocation or any terms of such allocation.

If any of our frequency allocations is not extended, is revoked or extended on unfavorable conditions, Polsat Group may be forced to suspend the provision of some services temporarily or permanently, may be unable to offer services based on a particular technology or may have to incur substantial expenditure in order to be able to provide services to customers based on frequencies from other bandwidths, all of which may have a material adverse effect on our business, financial condition, results of operations or prospects.

In particular, Group companies currently hold frequency allocations in the 800 MHz, 900 MHz, 1800 MHz, 2100 MHz and 2600 MHz bandwidths. These allocations are fundamental for the roll-out of our mobile telecommunications network. Our competitors have taken a number of steps, some of which may still lead to various consequences; among others in respect of rights of disposal of frequencies granted to companies belonging to Aero2 Group, including the 800 MHz and 1800 MHz band frequency allocations, which are currently integral to the offering of LTE services.

No assurance can be given that as a result of the pending proceedings or proceedings the instigation of which cannot be excluded, as events lying outside the control of beneficiaries of 1800 MHz spectrum reservation decisions, our reservation decisions could be contested, which could have a material effect on our ability to provide LTE services. Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile, Orange and Inquam Broadband GmbH. Supreme Administrative Court (NSA), in its ruling dated May 8, 2014, sustained the decision of the Court of First

Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on September 23, 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation." UKE also stated that the "reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies." In correspondence dated December 23, 2016, the President of UKE informed the parties involved that proceedings to invalidate the tender for the 1800 MHz frequency band have been opened. The instigation of the abovementioned proceedings by UKE remains without direct effect on the final and legally binding character of the reservation decision, which constitutes the basis for Polsat Group to use capacity in the 1800 MHz spectrum. On August 4, 2017, the President of UKE issued a decision annulling the tender dated 2007. Polsat Group companies decided to exercise their rights and filed motions for reconsideration of the case. On January 31, 2018 the President of UKE issued a decision of second instance, upholding the decision of August 4, 2017, by which he annulled the 2007 tender. On March 7, 2018, Aero 2 filed a complaint against the decision of the President of UKE of January 31, 2018 with the Voivodship Administrative Court in Warsaw, which has not been investigated yet. The issued decision does not affect reservation decisions issued in a procedure separate from the tender. In accordance with the press release published by the President of UKE, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions.

T-Mobile Polska, Orange Polska and P4, as well as the French Chamber of Commerce and Industry have undertaken a series of legal actions aimed at blocking the possibility of using frequencies from the 800 MHz spectrum by our subsidiary, Sferia. As at the date of preparation of this Report legal proceedings are in progress before the Regional Court in Warsaw and the Administrative Court in Warsaw. So far all the decisions of the courts have been favorable for Sferia, in particular the recent legally binding rulings of the Supreme Administrative Court issued on August 11, 2017 with respect to cases II GSK 3252/15 instigated by P4 and II GSK 3393/15 instigated by Orange. Nonetheless, until the legally binding termination of proceedings, it is not possible to exclude the possibility of an unfavorable, from the point of view of Sferia, modification of rulings in the currently ongoing proceedings, which may result in an unfavorable change of the reservation decision regarding the 800 MHz spectrum, or its withdrawal.

No assurance can be given that if we lost certain frequency allocations on the basis of which we provide telecommunication services, we would be able to gain access to sufficient alternative frequency band resources on satisfactory terms or at all, and failure to obtain access to such resources could have a negative impact on the implementation of business strategies and consequently a material adverse effect on our financial condition, results of operations and prospects.

The spectrum of radio frequencies available to the mobile phone industry is limited and therefore we may not be able to obtain new frequency allocations

The ability to maintain existing and implement new or improved mobile technologies and the Group's ability to successfully compete on the telecommunications services market partly depends on our ability to obtain further radio frequency resources. The size of the spectrum of radio frequencies available for allocation in Poland is limited, and the process of obtaining allocations is long and very competitive.

In May 2016 the European Union Council adopted a general approach regarding the draft decision on the development of broadband services in the European Union. In accordance with the proposal, access to the 700 MHz band (the so-called second digital dividend, i.e. the spectrum from 694-790 MHz frequency range) is to be provided to telecommunication operators for the purpose of wireless communications by 30 June 2020 at the latest. In justified cases it will be possible to postpone this deadline by two years. At the same time, TV broadcasters who will be forced to release the 694-790 MHz band as a result of the decision, and to use the 470-694 MHz band only, have been given the guarantee of maintaining the latter frequency band, i.e. 470-694 MHz, at least till the year 2030. As at the date of approval of this Report, details regarding the distribution of the 700 MHz spectrum in Poland remain unknown.

The Group's inability, or limited ability, to obtain access to frequency bands important for further development of our operations (on favorable terms or at all), including maintaining the existing or implementing new or improved mobile technologies, or obtaining such access by competitors can have a material adverse effect on our business, financial condition, results of operations and prospects.

6.2. Risk factors associated with the Group's financial profile

The servicing of our debt is very cash-intensive, and our debt servicing liabilities may impair our ability to finance the Group's business operations

Our Group uses large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisition of Telewizja Polsat, Polkomtel, Netia and Aero2 Group, and completion of the related financial transactions.

Our ability to service and repay debt depends on future results of our operations and our ability to generate sufficient cash flows to pay these and other liabilities, which in turn depends, to a significant extent, on the general economic climate, financing terms, market competition, acts of law and secondary legislation, and a number of other factors which are often outside of our control. If our future operating cash flows and other capital resources prove insufficient to repay our liabilities as they fall due or cover our liquidity requirements, we may lose our property, plant and equipment which serve as security for the repayment of our debts, or we may be forced to restrict or postpone certain business and investment projects; dispose of assets; incur more debt or raise new capital; or restructure or refinance our debts, in part or in full, at or prior to their maturity. The terms and conditions of our debts limit our ability to take the above measures. Therefore, we cannot guarantee that they will be taken on commercially reasonable terms, or at all, if need arises.

Also, the refinancing of our debt on unfavorable market terms would require us to pay higher interest rates or observe more stringent covenants, which could further restrict our business activity. If our debt financing increased, the related risks would also increase. Moreover, any significant adverse change in financial market liquidity, resulting in tighter lending terms and debt or equity financing constraints, may restrict our access to financing sources and increase our borrowing costs, which could significantly affect our ability to achieve and manage liquidity, raise additional capital, or restructure or refinance our existing debt.

The Combined SFA and Series A Notes Indenture provide for a number of restrictions and obligations (including maintaining specified financial ratios), limiting the Group's ability to incur new debt for financing future operations or to pursue business opportunities and activities that may be in our interest.

If our debts are not repaid in accordance with the underlying agreements, then those debts, as well as other liabilities incurred under other agreements or debt instruments, which include cross-default or cross-acceleration clauses, may become immediately payable, and we may not have sufficient funds to repay all our liabilities. Our inability to generate sufficient cash flows to service our debt, or to restructure or refinance it on commercially reasonable terms (or at all), may have a material adverse effect on our business, financial condition, results of operations or prospects.

We may need to incur a significant amount of new debt in the future. In particular, the terms and conditions of the Combined Senior Facilities Agreement as well as the Series A Bonds Terms impose certain limitations on, but do not prohibit us from, incurring new debt or other liabilities. In particular, a high level of debt may (i) limit our ability to repay our liabilities under the Combined Senior Facilities Agreement, or other liabilities; (ii) require us to apply a considerable portion of operating cash flows towards debt repayment, restricting the availability of cash used to finance our investment activities, working capital, and other corporate needs and business opportunities; (iii) reduce our competitiveness relative to other market players with lower debt levels; (iv) affect our flexibility in business planning or responding to the overall unfavorable economic conditions or to specific adverse developments in our sector; and (v) impair our ability to borrow new funds, increase our borrowing costs and/or affect our equity financing capacity. In consequence, any additional debt would further reduce our ability to secure external financing for our operations, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

We might be unable to refinance our existing debt, secure favorable refinancing terms, or raise capital to finance new projects

We are exposed to risks related to debt financing, including the risk that the debt will not be repaid, extended, or refinanced at maturity, or that the terms of such extension or refinancing will be less favorable. In the future, we may need to increase our share capital if our operating cash flows are insufficient to ensure financial liquidity or fund new projects. Depending on our capital requirements, market conditions, and other factors, we may be forced to seek additional sources of financing, such as debt instruments or a share offering. If we are unable to refinance our debts on reasonable terms, or at all, we may be forced to sell our assets on unfavorable terms, or to restrict or suspend certain activities, which could have a material adverse effect on our financial condition and performance. Our inability to secure external financing could force us to abandon new projects, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

We might be unable to repay our debts if control of the Company changes

In the event of a change of control of the Company within the meaning of the Combined Senior Facilities Agreement we are under the obligation to repay our liabilities. Moreover, if a change of control takes place, our ability to repay our debt will be limited by the level of available funds at the time. There can be no assurance that those funds will be sufficient to repay outstanding debts. In view of the above, we believe that in the case of change of control over the Company, we would require additional external financing in order to repay the debt.

Limitations arising from our contract obligations could make it impossible for us to repay the credit facilities or secure external financing if events constituting a change of control actually occur. Any breach of those limitations may lead to a default under other contracts and acceleration of other debts, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

6.3. Risks related to market environment and economic situation

We are exposed to the effects of the regional or global economic slowdown being felt on the Polish advertising market and affecting consumer spending in Poland

The Group derives almost all of its revenue from telecommunication services customers, pay-TV customers and TV advertisers in Poland. Our revenue depends on the amount of cash our existing and potential customers can spend on entertainment, recreation and telecommunications services. If the economic conditions in Poland deteriorate, consumers may be willing to spend less on entertainment, recreation and telecommunications services, which may have an adverse effect on the number of our customers or on our customers' spending on our services. Lower consumer spending caused by economic recession may also lead existing and potential customers to choose cheaper versions of our service packages or to discontinue using the services, which in turn may have a material adverse effect on results of our operations, financial condition, and growth prospects.

Lower advertising spending in Poland may have a material adverse effect on our revenue and the growth prospects of our television production and broadcasting segment. Slower GDP growth in Poland usually negatively impacts advertising spending. Moreover, as many customers of our TV production and broadcasting segment are global companies, the global economic downturn, even if it has no direct effect on Poland or its effect on the Polish economy is not as significant as in other countries, as well as economic slowdown in Poland, may force customers to cut their advertising budgets in Poland, which will have a negative impact on the demand for advertising services in Poland. A decrease in our advertising revenue may force us to adjust the level of our costs to lower revenues. As adjustments of the cost base to market conditions are not generally sufficient to fully offset the effect of lower revenue, the consequences of such risk factors may include a reduced EBITDA margin, lower quality of our programmes, or limited number of programmes broadcast by us, both our own productions and content purchased from third parties. Any constraints on the quality or quantity of our programming may result in the loss of audience share both to our competitors and to alternative forms of entertainment and recreation, which in turn may affect the attractiveness of our offering to potential advertisers and sponsors.

Moreover, the worsening of the macroeconomic conditions across the world, as well as possible uncertainty regarding the future economic situation, may have, among others a negative impact on the Group's ability to acquire sufficient financing on the global capital markets.

In view of the above, the worsening of macroeconomic conditions in Poland or across the world may, as a result, have a considerably adverse impact on the financial situation, results of our operations and growth prospects of the Group.

The Polish mobile telecommunications industry is highly competitive

The Group faces strong competition in all of its core business areas, especially from telecommunication operators, in particualar Orange Polska, T-Mobile Polska and Play. There can be no assurance that customers will not find the offerings of those operators more attractive.

A shift in the business model of mobile telecommunications network operators in Poland, whereby competing providers of telecommunications services would form joint ventures or strategic alliances, or launch new types of services, products and technologies may additionally intensify competition on the telecommunications services market. The situation on the telecommunications market in Poland may also change significantly as a result of potential acquisitions or intensify if new mobile telecommunications operators enter the market or if broadband Internet access services are offered by entities other than mobile telecommunications operators.

We face growing competition from entities offering non-traditional voice and data transmission services which rely on the VoIP technology, such as Skype, WhatsApp or Viber, through which customers who use only mobile data transmission can be provided with mobile voice and video services, and users with fixed broadband access can be provided with voice and video services over fixed-line networks, usually at prices lower than traditional voice and data transmission services. To this end, such entities use, among other things, the possibility to provide services via existing infrastructure, belonging to telecommunication operators, so as to avoid having to implement capital-intensive business model themselves. Continued growing popularity of these services may lead to a decrease in ARPU per customer and the customer base of telecommunications operators, including the Group's one. It can be expected that in the future the Group will also have to compete with providers of services supported by communication technologies which at the date of publication of this Report are at an early stage of development or which will be developed in the future. The Group's existing competitors as well as new players on the Polish market may introduce different new services or telecommunications services based on better technologies than those currently used by the Group before such services are introduced by the Group, or may offer such services at more competitive prices. Mobile virtual network operators (MVNO) also compete with traditional mobile telecommunications network operators.

The Group's ability to effectively develop its operations on the Polish telecommunications services market may be also adversely affected by the imposition of new regulatory requirements or new fees or payments on entities operating in Poland, further legal changes, or the regulator's policy designed to increase the competitiveness of the telecommunications services market.

Moreover, the high rate of mobile voice penetration and the highly consolidated nature of the Polish mobile telephony market may result in increased pricing pressure and our ability to compete effectively will depend on our ability to introduce new technologies, convergent services and attractive bundled products at competitive prices. It cannot be ruled out that we will be forced to reduce prices for certain products and services in response to the pricing policies of our major competitors, which may have an adverse effect on our future revenue and profitability.

Group's reduced competitiveness and increased pricing pressures could have a material adverse effect on the Group's financial condition, results of operations or prospects.

We face competition from entities offering alternative forms of entertainment and leisure

Technological progress, as well as a number of various other factors expose our operations to growing competition for the time and form of customers' leisure and entertainment activities. In particular, we compete with entities offering such alternative forms of leisure and entertainment as cinema, radio, home video, printed media, as well as other non-media forms of leisure, including live events. Moreover, new technologies, such as video on demand (VoD), Internet streaming and downloading, have broadened and may continue to broaden the selection of entertainment options available to existing and potential users of our services. In particular, increasing activity of foreign players operating in the OTT model (Netflix, Amazon Prime or Showmax) can be observed on the Polish market recently. The growing variety of leisure and entertainment options offered by our current and future competitors may bring about a decrease in demand for our products and services, and weaken the effect of television as an advertising medium. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

Operating results of our TV production and broadcasting segment depend on the importance of television as an advertising media

In 2017, ca. 82% of the revenue generated by our TV production and broadcasting segment came from sale of advertising time and sponsored time slots on our TV channels. The Polish advertising market sees television competing with other advertising media, such as the Internet, newspapers, magazines, radio, and outdoor advertising. There can be no guarantee that TV commercials will maintain their position on the Polish advertising market, or that changes in the regulatory regime will not favor other advertising media or other broadcasters. The growing competitive pressure among advertising media, driven by the increasing prominence of Internet advertising in Poland, significantly higher spending on thematic channels, and the development of new forms of advertising may have an adverse effect on advertising revenue generated by our TV production and broadcasting segment, and thus on our operations, financial condition, performance, and cash flows.

Our potential advertising revenue depends on several factors, including the demand for and prices of advertising time. No assurance can be given that we will be able to respond successfully to the changing preferences of our viewers, which means that our audience share may decrease, which may adversely affect demand for our advertising time and our advertising revenue. The diminishing appeal of TV as a whole, and our own channels in particular, attributable both to higher interest in other forms of entertainment and to the declining importance of television as an advertising medium, may have an adverse effect on our business, financial condition, results of operations or prospects.

Given the intense competition across all market segments in which we operate, there can be no assurance that in the future our customers and advertisers will use our services rather than those of our competitors

Because the Polish TV market is highly competitive, there can be no assurance that our revenue from pay TV subscriptions and advertising will be satisfactory compared to that of our competitors. Our current and future competitors may outmatch us in terms of financial and marketing resources, which may allow them to attract customers and advertisers more effectively.

Our main competitor on the direct-to-home (DTH) TV market is nc+ platform. To a smaller extent we also compete with broadcasters using other technologies, such as terrestrial, cable and Internet television. Furthermore, we expect growing competition from joint ventures and strategic alliances between providers of cable and satellite TV and telecommunications operators. It is also probable that we will have to face foreign competitors entering the Polish market.

Following completion of the terrestrial television digital switchover process in Poland in July 2013, there are currently 27 TV channels broadcasted terrestrially. According to Nielsen Audience Measurement, in 2017 the audience shares of all DTT channels in the 16-49 age group reached 65.7% (compared to 67.2% in 2016). The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 37.9% in 2017 compared to 40.6% in 2016. The aggregate audience share of the other DTT channels was 27.8 % in 2017 vs. 26.6% in 2016, which reflects the growing market fragmentation, to a large extent at the expense of the leading TV channels, including POLSAT. Our main competitors on the TV advertising markets are other broadcasters, such as TVN – a leading commercial broadcaster, and TVP – the broadcaster financed partly from public funds, which provides public service. Because TVP is the public broadcaster, it cannot interrupt programmes and films with commercial breaks. Any changes in this respect may contribute to the strengthening of TVP's competitive position, reducing our advertising revenue. Furthermore, we will be forced to compete with current and future market participants for terrestrial and satellite broadcasting licences in Poland. Such participants may include major broadcasters with greater resources and more recognisable brands. This is especially true in the case of foreign companies which may find the Polish TV market attractive for various reasons, including its current regulatory environment (which allows TV stations to broadcast more advertising during programmes and films than in other countries), as well as the increasing extent of other permitted advertising activities. And lastly, continued growth of cable TV, DTH and DDT providers in Poland may lead to further market and audience fragmentation, which may make advertisers reluctant to buy air-time on our channels. Losing customers and advertisers to our competitors may have a material adverse effect on our business, financial condition, results of operations or prospects.

We are exposed to currency risks

Our business is exposed to risk related to fluctuations in foreign exchange rates. While our revenue is denominated mainly in the Polish złoty, part of our operating costs is denominated in other currencies. We have trade payables (including amounts due for access to the catalogues of the leading film and TV studios, as well as other suppliers and producers of programming content, purchase of modems, parts of set-top boxes, other hardware and software, as well as lease of transponder capacities) that are denominated in foreign currencies, mainly in euro and US dollars. Significant components of costs, including costs of purchase of handsets, UMTS license fees, costs of purchase of network equipment and IT systems, roaming, as well as the costs of lease of certain office areas and locations of elements of our mobile network infrastructure are denominated in foreign currency, in particular in euro. Fluctuations in foreign exchange rates are outside our control and any adverse changes in the exchange rates of foreign currencies against the Polish złoty may significantly increase our costs and expenses translated into the Polish złoty, which in turn may have a material adverse effect on our business, financial condition, results of operations or prospects.

We are exposed to interest rate risk

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 overnight 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 and the Series A Notes are calculated based on the variable WIBOR interest rate, 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 luctuations, there is no certainty that such a hedging will be still possible or whether it will be available on acceptable terms.

The Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimizing scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit and loss.

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.

6.4. Risk factors associated with the legal and regulatory environment

The complexity, lack of clarity, and frequent amendments of Polish tax laws may lead to disputes with tax authorities

Tax laws in Poland are complex, unclear and subject to frequent and unpredictable changes. On July 15, 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 ordinance, which in fact lead to difficulties in the judgement of the tax consequences in the foreseeable future.

Given that Polish tax laws are frequently amended, and that such amendments can be retroactively applied in practice, are inconsistent and lack uniform interpretation, and considering relatively long limitation periods applying to tax liabilities, the risk of misapplication of tax laws in Poland may be greater than in the legal systems of more developed markets. Accordingly, there is a risk that we may fail to bring certain areas of our activity in compliance with the frequently amended tax laws and the ever-changing practice of their application. Therefore, no assurance can be given that there will be no disputes with tax authorities, and, consequently, that tax authorities will not question the correctness of the Group companies' tax settlements on non-statute-barred tax liabilities (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of such Group companies. Any unfavorable decisions, interpretations (including changes to any interpretations obtained by the Group companies) or rulings by tax authorities may have a material adverse effect on our business, financial condition, results of operations or prospects.

Tax authorities may question the accuracy of intra-Group and related-party settlements under applicable transfer pricing regulations

In the course of their business, the Group companies enter into transactions with their related parties within the meaning of the Corporate Income Tax Act. Related-party transactions, which guarantee that the Group's business is run efficiently, include inter-company rendering of services and sale of goods. When entering into and performing related-party transactions, the Group companies take steps to ensure that terms and conditions of such transactions are consistent with the applicable transfer pricing regulations. At the same time, no assurance can be given that the Group companies will not be subjected to audits and other inspections by tax authorities and tax inspection bodies with respect to the foregoing. The nature and diversity of transactions with related-parties, the complexity and ambiguity of the regulations governing methods of verifying the prices applied, dynamic changes in market conditions affecting the calculation of prices applied in such transactions, as well as the difficulty in identifying comparable transactions, the risk that the methodology used to determine arm's-length terms for the purpose of such transactions is questioned by tax authorities cannot be excluded, and therefore tax authorities may question the accuracy of settlements between the Group companies and their related parties under applicable transfer pricing regulations, which may have material adverse effect on our business, financial condition, results of operations or prospects.

Assessment of tax effects of the Group’s restructuring activities by Polish tax authorities may differ from assessment of such activities by the Group

The current composition of the Group is a result of consolidation, restructuring and other transactions involving assets of considerable value, implemented over the recent years by and between the Group’s companies. Those activities had an effect on the tax settlements not only of the companies directly involved in such consolidation, restructuring and other transactions involving assets of considerable value, but also of their respective members or shareholders.

Despite monitoring the risk in individual business areas, with respect to completed and planned restructuring activities, no assurance can be given that Polish tax authorities will not have a different assessment of tax effects of individual restructuring events and transactions, both completed and planned, in particular with respect to the possibility, manner, and timing of the recognition of income and tax-deductible expenses by entities participating in such events and transactions, or that financial terms of such activities will not be questioned, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

The tax regime applicable to our operations and the sector in which we operate creates numerous uncertainties

The tax regime applicable to transactions and events typical for our operations and the sector in which we operate are a source of numerous interpretation uncertainties. In particular, there is uncertainty as to the interpretation of income tax laws with respect to the possibility, manner, and timing of recognition of income and tax-deductible expenses on individual transactions and events and the requirements for their documentation. Also VAT legislation is characterised by vague and complex regulations, particularly where it concerns goods and services subject to the tax, the tax rate, tax base or time at which the tax liability arises with respect to transactions subject to VAT. Further, Polish tax legislation does not provide unequivocal rules regarding imposition of other taxes, including property tax (in particular with respect to the determination of tax base and taxable property) and custom duties.

Given that Polish tax laws are frequently amended, inconsistent, and lack uniform interpretation, and considering the relatively long limitation periods on tax liabilities, there is a risk that our selected operations may not be harmonised with the changing legal (including tax) regulations and their changing application.

Despite monitoring the risk in individual business areas, there can be no guarantee that disputes with tax authorities regarding assessment of tax effects of individual events and transactions typical for our operations and the sector in which we operate will not occur, and consequently that the tax authorities will not question the correctness of tax settlements on non-statute-barred tax liabilities of Polsat Group entities (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of these entities. There is also a risk that tax authorities may question financial terms of individual events and transactions. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

Property tax laws give rise to numerous interpretation uncertainties

Polkomtel Group uses a significant number of telecommunications infrastructure facilities located on real property. Property tax laws give rise to numerous interpretation uncertainties, in particular with respect to the tax base and the determination of items subject to tax. The definition of a structure and its practical use under the Local Taxes and Charges Act might lead to disputes with tax authorities. Therefore, no assurance can be given that there will be no disputes between companies from Polkomtel Group and tax authorities as to the amount of the property tax payable, as well as unfavorable rulings in this respect.

The Group's companies are subject to legal regulations (including tax legislation) in force in the countries in which they operate

Given the international character of the Group, its companies are governed by legal regulations (including tax legislation) in force in the countries in which they operate. Therefore, in view of such dissimilar legal frameworks, there is a risk that the Group will interpret local legal regulations (including tax legislation) in a way which is divergent from their construction by the country's tax authorities. The diversity of legal regulations by which individual companies are bound may give rise to internal problems within the Group, including problems with respect to the law governing legal relations between the Group's entities. Another aspect of the relationship between Polsat Group companies which may raise doubts is the application and interpretation of double-tax treaties concluded between countries in which the companies operate.

At the same time, in many cases the legal regulations (including tax legislation) in countries where the Group conducts its business are frequently ambiguous and there is no single or uniform interpretation or practice followed by local tax authorities. Additionally, such countries' tax legislation (including the provisions of applicable double-tax treaties) may be subject to change. The practice adopted by tax authorities in respect of particular tax regulations may change as well, even retroactively.

Therefore, no assurance can be given that there will be no disputes with tax authorities in countries where the Group conducts its business, and consequently that the tax authorities will not question the correctness of the Group companies' tax settlements on non-statute-barred tax liabilities, and will not determine the existence of tax arrears of such Group companies, which may have an adverse effect on our business, financial condition, results of operations or prospects.

There can be no assurance that in the future the President of the Polish Office of Competition and Consumer Protection (UOKiK) will not deem – despite our different assessment – the practices we use as limiting competition or violating the Polish consumer protection laws

Our operations are reviewed by institutions of competition and consumer protection to ensure that we comply with Polish and European laws prohibiting practices that limit competition or violate the collective interests of consumers, such as for example providing inaccurate information to customers, dishonest market practices or use of abusive contract clauses. As a general rule, our operations are subject to the assessment of the President of the Polish Office of Competition and Consumer Protection (UOKiK). If the regulator finds any of our practices or contract terms to be misleading or in conflict with Polish or European competition and consumer protection laws, we may be subject to fines and our reputation could be harmed. In addition, if any clauses in our standard consumer contracts are considered abusive, they will be entered in the Register of Abusive Contract Clauses maintained by the President of UOKiK and their application will be no longer possible, which will require amendment to our standard contracts.

If the President of UOKiK determines that any of our practices had the effect of limiting competition or violating consumer rights, we could be required to discontinue the unlawful practice. In addition, the President of UOKiK could impose on us a cash fine of up to 10% of our revenue generated in the financial year immediately preceding the year in which the fine is imposed and additionally, pursuant to the provisions of the amended legislation on consumer and competition protection, can, for example, impose on us the obligation to pay compensation to consumers, who were affected by the practises in question or apply other measures. Moreover, if we, even unintentionally, fail to provide the President of UOKiK with the required information or provide misleading information, a fine of up to EUR 50 million may be imposed on us.

Any decisions by the President of UOKiK or by appeals bodies confirming our infringement could also result in claims for damages by consumers, contractors and competitors. The potential amount of such claims is difficult to assess but may be significant. If any of our practices or contract terms are deemed to be misleading or in conflict with Polish consumer protection laws, we may be subject to fines and our reputation could be harmed, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, expansion of consumer protection legislation could increase the scope or scale of our potential liability or the scope of consumer rights. Such events may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by changes in Polish and European Union regulation of the levels of MTR and FTR

As part of telecommunications market regulation in Poland, the President of UKE may determine rates in settlements between operators for termination of voice calls in mobile networks (MTR) and fixed-line networks (FTR). In the past, the regulator used this power several times, and reduced MTRs. As a result of decisions of the President of UKE, voice MTRs were reduced by 74% in the period from January 2010 to July 2013. There can be no assurance that there will not be any further MTR reductions in the future. At present, the regulator is conducting administrative proceedings to determine FTRs at the level ten times lower than currently applied on the market. The implementation of further regulations of MTRs or FTRs may directly affect our financial performance.

We may violate the acts of law and regulations governing our satellite TV distribution business as well as telecommunications, TV broadcasting, advertising and sponsoring activities, which are subject to periodic amendments

We are required to comply with Polish and EU laws, which impose limitations on the conduct of our business. Our operations are extensively regulated by government authorities and market regulators, especially the President of the Office of Electronic Communications (UKE) and the National Broadcasting Council (KRRiT), the bodies responsible for overseeing compliance with the Polish Act on Television and Radio Broadcasting, the Telecommunications Law, and the terms of our broadcasting licences. Decisions by the President of UKE, the Chairperson of KRRiT, or other regulators may place certain restrictions on the way in which our business can be run.

The President of UKE supervises our telecommunications operations, as well as TV broadcasting and production. As part of our telecommunications services, we mainly provide mobile voice services, broadband Internet access as well as certain wholesale services to other operators. Telecommunications enterprises operating in Poland are subject to a number of legal and administrative requirements having a direct impact on their business, both in relations with individual and business customers (for instance, by specifying the scope of customers' rights or the content of standard terms and conditions for the provision of telecommunications services, setting rules for settlements in international roaming services, caps for pricing of international services or restricting the maximum time for which contracts can be concluded with customers) and wholesale customers (for instance, by imposing MTR and FTR caps or defining caps for rates used in roaming traffic settlements). Our TV production and broadcasting segment is in turn overseen by the President of UKE for compliance with the terms of licences and frequency allocations assigned by the President of UKE for the purposes of TV broadcasting services. We cannot give any assurance that we will be able to meet the numerous requirements imposed on us by the Polish Telecommunications Law. In the event of our non-compliance with any provisions of the Telecommunications Law, companies from the Group may face a fine from the President of UKE of up to 3% of revenue generated in the year preceding the year in which such fine is imposed.

The KRRiT regulations also pertain to both our business segments, although they have a more direct effect on our TV production and broadcasting segment. As a TV broadcaster operating in Poland, we have to observe a number of legal and administrative requirements related to such matters as broadcasting time, programming content, and advertisements. Furthermore, KRRiT undertakes regular checks to ensure that our operations conform to the terms of our broadcasting licences, provisions of the Polish Act on Television and Radio Broadcasting, and its own internal guidelines. There can be no assurance that we will be able to satisfy numerous regulatory requirements imposed on our TV production and broadcasting segment under the relevant licences. In the event of our non-compliance with any applicable regulations, we may face a fine from KRRiT of up to 50% of the annual fee for the right to use a given frequency.

The regulatory regime for the broadcasting industry is subject to frequent changes, and so there can be no assurance that such future changes will not have an adverse effect on our channel mix, ability to attract advertisers or the way in which our business is run.

In future, our DTH business may be subject to zoning, environmental or other regulations that will place restrictions on where satellite antennas may be deployed. We may also have to deal with pressures from local communities regarding deployment of our satellite antennas. Any such legal restrictions or conflicts with local communities related to the deployment of our satellite antennas may render our DTH services less attractive, leading to a fall in customer numbers.

Non-compliance with valid law or with the regulations issued by regulatory bodies may have material adverse effect on our business, financial condition, or prospects.

Operations of companies belonging to Polsat Group are subject to a number of legal regulations and requirements of awarded frequency allocations which could be amended in the future

As a mobile telecommunications network operator, Polkomtel is subject to a number of laws and regulations, in particular those regulating maximum rates charged for specific telecommunications services, those related to ensuring effective competition, non-discrimination, transparency in telecommunication services prices, reporting, data protection and national security. Any potential breach of the applicable laws or terms of frequency allocations may in certain cases result in imposition of penalties on Polkomtel or other companies from Polsat Group, loss of reputation, inability to obtain new frequency allocations or even loss of current frequency allocations. Furthermore, future changes in our Group's regulatory environment may be disadvantageous to our business, for instance by increasing its costs.

An important and active role in ensuring the observance of telecommunications laws and regulations by entities operating in the telecommunications market in Poland is played by the regulators of the Polish telecommunications market, including in particular the President of the Office of Electronic Communications (UKE). The President of UKE has a number of regulatory and supervisory powers, including those with respect to provision of electronic communications services and managing radio frequency and orbital slot resources. If the President of UKE determines that a relevant market is not sufficiently competitive, the President may designate one or more telecommunications providers as a provider with significant market power (SMP) in such market and impose on such provider(s) certain regulatory obligations, such as an obligation to accept requests from other telecommunications providers for the provision of telecommunications access and the obligation to prepare and submit a draft framework offer for telecommunications access to serve as a basis for cooperation between a provider with SMP and its competitors. Polkomtel has been designated as holding SMP in certain relevant markets at the wholesale level. As a result, Polkomtel is required to meet strict regulatory obligations on the wholesale markets of call termination to a public mobile telecommunications network and of call termination to a public fixed line network. As part of its continued provision of telecommunications services in Poland, Polkomtel is also regularly reviewed by the President of UKE to ensure that it has complied with the terms of the licenses and frequency allocations granted by the President of UKE. If the President of UKE was to declare that Polkomtel breached a provision of the Telecommunications Law, the company could be forced to pay a fine of up to 3% of the revenue it generated in the year prior to the imposition of the fine and it could be prohibited from providing further telecommunications services in Poland.

The President of UKE may also designate one or more network operators to guarantee the provision of universal services (including voice and broadband access, and customer network access) which may then apply to the President of UKE to be compensated by the other telecommunications operators, including Polkomtel, on the justified net costs basis.

The Minister of Administration and Digital Technology, responsible for telecommunications, also exercises broad regulatory authority over the telecommunications market in Poland. The powers of the Minister of Administration and Digital Technology include the power to issue regulations concerning, among other things, tenders and contests for the allocation of frequencies, charges for using the domestic numbering resources, the telecommunications charge, specific requirements for the provision of telecommunications access and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the complaint process. Polkomtel's operations are also supervised by the President of the Office of Competition and Consumer Protection, The Personal Data Protection Office, and other agencies.

No assurance can be given that Polkomtel will be able to meet all the requirements that have been or might be imposed on it under the Polish or EU laws or regulations, or all the terms and conditions of the frequency allocations granted to Polkomtel, or that it will be able to comply with all the laws or terms of frequency allocations applicable to its business, and that it will not be exposed to costs, penalties, sanctions or claims as a result of potential violation of such requirements or laws that, in turn, could have a material adverse effect on our business, financial condition, results of operations and prospects.

No assurance can be given that we will not breach any personal data protection laws or regulations, or that we will not fail to meet requirements imposed by the President of the Personal Data Protection Office

As part of our activities, we collect, store and use customer data which is subject to legal protection under the Act on Personal Data Protection. Ineffectiveness of the personal data protection solutions applied by us may lead to disclosure of customers' personal data as a result of a human error, premeditated unlawful act by a third party or failure of IT systems, or may otherwise lead to improper use of such data. Any infringement of the personal data protection laws or regulations, or any failure to comply with the requirements imposed by the President of the Personal Protection Office of may result in fines being imposed on us or in loss of customer confidence, and consequently may have a material adverse effect on our business, financial condition, results of operations or development prospects.

We use third-party suppliers and cooperate with external partners, agents, suppliers and other third parties, and therefore we are not able to eliminate the risk of failure of the systems used to store sensitive information at, or transfer such information to or from, such entities. Any infringement of the personal data protection laws or regulations by us or by these entities may result in the imposition of fines, loss of reputation or loss of customers, and in effect have a material adverse effect on our business, financial condition, and results of operations or development 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, August 22, 2018

GLOSSARY

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

Glossary of general terms

Term	Definition
Aero2	Aero2 spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000305767, subsidiary of Litenite.
Aero2 Group	Aero2 and its indirect and direct subsidiaries.
AltaLog	AltaLog spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000493305, subsidiary of Aero2.
Amendment, Restatement and Consolidation Deed	Agreement concluded on September 21, 2015 between the Company, Polkomtel, Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental, Plus TM Group and a consortium of Polish and foreign financing institutions, amending and consolidating the CP SFA and the PLK SFA.
ATS, WSE ATS	Alternative system of trading in debt instruments organized by the WSE within the Catalyst market.
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Bonds, Series A Bonds	Dematerialized, interest-bearing, senior and unsecured Series A bearer bonds with the total nominal value of PLN 1 billion and the nominal value of PLN 1,000 each, issued pursuant to the Resolution of the Management Board of the Company No. 01/02/07/2015 dated July 2, 2015.
Bonds Terms	Terms and conditions of Bonds issuance together with the supplement.
Catalyst	Trading system of debt instruments operating on markets organized by the WSE and Bondspot, as defined in § 1 of the Catalyst Operating Rules adopted pursuant to resolution no. 59/2010 of the Management Board of WSE on January 27, 2010, as amended.
Coltex	Coltex ST spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000362339.
Combined SFA	CP SFA of September 21, 2015 as amended by the Amendment, Restatement and Consolidation Deed of September 21, 2015.
CP Revolving Facility Loan	The revolving facility loan of up to PLN 300 million, issued under the CP Senior Facilities Agreement, with the maturity date of September 30, 2022.
CP Senior Facilities Agreement, CP SFA	The Senior Facilities Agreement of September 21, 2015 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy, and a syndicate of Polish and foreign banks, covering the CP Term Facility Loan and the CP Revolving Facility Loan.
CP Term Facility Loan	The term facility loan of up to PLN 1.2 billion, issued under the CP Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
Cyfrowy Polsat Trade Marks, CPTM	Cyfrowy Polsat Trade Marks spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000373011.
EEA, European Economic Area	Internal Market guaranteeing free move of goods, services, capital and persons, comprising EU Member States and Island, Norway and Lichtenstein.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668. Merged with Cyfrowy Polsat S.A. on April 28, 2018.

Eileme 2	Eileme 2 AB (publ), a company under Swedish law, registered under No. 556854-5676. Merged with Eileme 1 on November 24, 2017.
Eileme 3	Eileme 3 AB (publ), a company under Swedish law, registered under No. 556854-5692. Merged with Eileme 1 on November 24, 2017.
Eileme 4	Eileme 4 AB (publ), a company under Swedish law, registered under No. 556854-5684. Merged with Eileme 1 on November 24, 2017.
Embud2	Embud2 spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna (Limited Liability Company Limited Joint-Stock Partnership) entered in the register of entrepreneurs of the National Court Register under entry No. 0000676753, legal successor of Embud spółka z ograniczoną odpowiedzialnością.
Eleven Sports Network	Eleven Sports Network spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000558277, a producer and distributor of sports content on the territory of Poland.
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 of November 3, 2008, adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
Litenite	Litenite Limited, a company under Cypriot law, registered under No. 240249.
Litenite Notes	Zero-coupon unsecured loan notes 2022 with the total nominal value of PLN 1,524.4 million and the issue price of PLN 782.0 million issued pursuant to the resolution of the management board of Litenite of December 31, 2015. Redeemed in full on April 26, 2017.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel. Merged with Cyfrowy Polsat on April 7, 2017.
Midas	Midas Spółka Akcyjna previously entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000025704. On November 30, 2016 Midas merged with Aero2.
NBP	Narodowy Bank Polski, the central bank of the Republic of Poland.
Netia	Netia spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000041649, a telecommunications operator providing, among others, online solutions and multimedia entertainment.
Netia Group	Netia and the indirect and direct subsidiaries of Netia.
NDS	National Depository for Securities (Krajowy Depozyt Papierów Wartościowych, KDPW).
Orange, Orange Polska	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207, operator of mobile network Play.
Play Communications	Play Communications S.A. (société anonyme), with its registered office in Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies under number B183803, owner of P4.

PLK Revolving Facility Loan	The revolving facility loan of up to PLN 700 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
PLK Senior Facilities Agreement, PLK SFA	The Senior Facilities Agreement of September 21, 2015 between Polkomtel, Eileme 2, Eileme 3, Eileme 4, Plus TM Management, TM Rental and Plus TM Group and a syndicate of Polish and foreign financial institutions, covering the PLK Term Facility Loan and the PLK Revolving Facility Loan.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PLK Term Facility Loan	The term facility loan of up to PLN 10,300 million, issued under the PLK Senior Facilities Agreement of September 21, 2015, with the maturity date of September 30, 2022.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000378997.
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Business Development	Polkomtel Business Development spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000377416.
Polkomtel Group	Polkomtel jointly with its indirect and direct subsidiaries.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Reddev	Reddev Investments Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus.
Roaming Regulation	Regulation (EU) No. 531/2012 of the European Parliament and of the Council of June 13, 2012 on roaming on public mobile communications networks within the Union
Sensor	Sensor Overseas Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
Sferia	Sferia Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000246663.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group, TV Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
T-Mobile, T-Mobile Polska	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.
TM Rental	TM Rental spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000567976.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to SMG Poland (previously SMG).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
Base transceiver station	(or: relay station / base station / BTS / transmitter / nodeB / eNodeB) – a device equipped with an antenna transceiver which connects a mobile terminal (e.g., mobile phone or mobile router) with a transmission part of a telecommunications network. A base station uses a single technology (2G, 3G or LTE) on a separate carrier (a frequency block from a separate bandwidth). A base station shall not be mistaken with a site.
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
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).
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue).
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer, contract customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
ERP	A family of IT systems supporting enterprise management or shared operation of a group of collaborating enterprises through data collection and enabling transactions on the collected data (enterprise resource planning).
FTR	A wholesale charge for call termination in another operator's fixed-line telecommunications network (Fixed Termination Rate).

Term	Definition
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transmission technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to online video content belonging to Polsat Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
LTE	Long Term Evolution - a standard for high-speed, wireless data transmission also referred to as 4G. Based on a carrier bandwidth limited to a maximum of 20MHz it supports data transmission speed of up to 150 Mb/s (downlink, using MIMO 2x2 antennas).
LTE-Advanced	Subsequence standard for high-speed, wireless data transmission of the fourth generation (4G). Through carrier aggregation from different bandwidths (a total of up to 100 MHz) it allows to significantly increase maximum data transmission speed up to 3 Gb/s (downlink, using MIMO 8x8 antennas).
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
MIMO	Multiple Input Multiple Output, a method for multiplying the capacity of a wireless network using multiple transmit and receive antennas.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology.
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on several television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
ODU-IDU	Outdoor Unit Indoor Unit, a proprietary solution of Polsat Group based on a set comprising an external LTE modem (ODU) and an indoor WiFi router (IDU), which increases effective coverage and improve the quality of the LTE signal.
PPV	Services providing paid access to selected TV content (pay-per-view).
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue).
PVR	Electronic commodity hardware for digital recording of TV programs on its hard drive (Personal Video Recorder).
real users	An estimated number of persons who visit a website or open an Internet application at least once in a given month (Real Users).

Term	Definition
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).
Site	(or: mast/tower/roof construction) – a single steel construction located in a separated geographical region which allows to install one or a number of base stations in order to provide radio signal to mobile terminals of end-users within that region.
Streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
TSV (Time Shifted Viewing)	Shifting in time of the consumption of content broadcast on TV in real time by recording it on a storage medium (e.g. digital video recorder) and replaying it at a later time.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kb/s (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days. In the case of free of charge Internet access services provided by Aero2, the Internet prepaid RGUs were calculated based on only those SIM cards, which used data transmission services under paid packages within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services.
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

Pursuant to the requirements of the *Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent* the Management Board of Cyfrowy Polsat S.A. represented by:

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,

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2018 and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the semi-annual Management Board's report on the activities contains a true image of the Group's development, achievements, and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has reviewed the interim condensed consolidated financial statements and interim condensed financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the review fulfilled the conditions to prepare a review report on the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2018 pursuant to relevant provisions of the national law and industry norms.

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

Warsaw, 22 August 2018

Building a better
working world

Ernst &Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa
Tel. +48 22 557 70 00
Faks +48 22 557 70 01
warszawa@pl.ey.com
www.ey.com/pl

Independent Auditor's Report
on review of interim condensed consolidated financial statements

To the Shareholders and Supervisory Board of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Capital Group (the 'Group'), with its parent company Cyfrowy Polsat S.A. (the 'Company') located in Warsaw, Łubinowa 4A as of 30 June 2018, including the Interim Consolidated Balance Sheet as at 30 June 2018, Interim Consolidated Income Statement, Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Cash Flow Statement, Interim Consolidated Statement of Changes in Equity for the period from 1 January 2018 to 30 June 2018 and notes to the interim condensed consolidated financial statements (the 'interim condensed consolidated financial statements').

The Company's Management is responsible for the preparation and presentation of the accompanying interim condensed consolidated financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the accompanying interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Other matters

The consolidated financial statements for the prior financial year ended 31 December 2017 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who on 21 March 2018 issued an unqualified opinion on these consolidated financial statements.

Warsaw, 22 August 2018

Key Certified Auditor

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130

Translation of auditor's report originally issued in Polish

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2018

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

Table of contents

APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 22 August 2018, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2018 to 30 June 2018 showing a net profit for the period of:	PLN 523.6
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2018 to 30 June 2018 showing a total comprehensive income for the period of:	PLN 523.2
Interim Consolidated Balance Sheet as at 30 June 2018 showing total assets and total equity and liabilities of:	PLN 29,751.6
Interim Consolidated Cash Flow Statement for the period from 1 January 2018 to 30 June 2018 showing a net decrease in cash and cash equivalents amounting to:	PLN 285.7
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2018 to 30 June 2018 showing an increase in equity of:	PLN 1,337.2

Notes to the Interim Condensed Consolidated Financial Statements

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

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

Warsaw, 22 August 2018

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

Interim Consolidated Income Statement

	Note	for the 3 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 3 months ended 30 June 2017 unaudited *(IAS 18 basis)*	for the 6 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 6 months ended 30 June 2017 unaudited *(IAS 18 basis)*
Continuing operations					
Revenue	8	2,603.2	2,469.9	4,949.1	4,858.5
Operating costs	9	(2,127.0)	(1,962.8)	(4,044.1)	(3,901.0)
Other operating income/(cost), net		(0.6)	9.9	6.1	16.7
Profit from operating activities		**475.6**	**517.0**	**911.1**	**974.2**
Gain/loss on investment activities, net	10	(45.9)	(14.4)	(49.3)	16.1
Finance costs, net	11	(98.9)	(113.3)	(171.5)	(298.8)
Share of the profit/(loss) of associates accounted for using the equity method		(0.1)	-	5.1	-
Gross profit for the period		**330.7**	**389.3**	**695.4**	**691.5**
Income tax		(99.3)	(107.6)	(171.8)	(138.4)
Net profit for the period		**231.4**	**281.7**	**523.6**	**553.1**
Net profit attributable to equity holders of the Parent		235.8	291.2	536.6	570.6
Net loss attributable to non-controlling interest		(4.4)	(9.5)	(13.0)	(17.5)
Basic and diluted earnings per share (in PLN)		**0.36**	**0.44**	**0.82**	**0.86**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 3 months ended 30 June 2017 unaudited *(IAS 18 basis)*	for the 6 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 6 months ended 30 June 2017 unaudited *(IAS 18 basis)*
Net profit for the period		**231.4**	**281.7**	**523.6**	**553.1**
Valuation of hedging instruments	13	0.0	(0.2)	(0.5)	(1.1)
Income tax relating to hedge valuation	13	0.0	0.0	0.1	0.2
Items that may be reclassified subsequently to profit or loss		**0.0**	**(0.2)**	**(0.4)**	**(0.9)**
Other comprehensive loss, net of tax		**0.0**	**(0.2)**	**(0.4)**	**(0.9)**
Total comprehensive income for the period		**231.4**	**281.5**	**523.2**	**552.2**
Total comprehensive income attributable to equity holders of the Parent		235.8	291.0	536.2	569.7
Total comprehensive loss attributable to non-controlling interest		(4.4)	(9.5)	(13.0)	(17.5)

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

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Reception equipment		294.1	325.3
Other property, plant and equipment		4,419.9	2,867.1
Goodwill	16	11,530.0	11,041.7
Customer relationships		2,358.7	2,557.3
Brands		2,024.8	2,037.1
Other intangible assets		3,097.5	3,261.5
Non-current programming assets		211.1	170.1
Investment property		30.0	5.1
Non-current deferred distribution fees		93.0	91.4
Other non-current assets, includes:		649.3	1,270.7
shares in associates accounted for using the equity method		*40.4*	*665.2*
derivative instruments assets		*1.4*	*1.9*
Deferred tax assets		216.0	197.2
Total non-current assets		**24,924.4**	**23,824.5**
Current programming assets		353.2	251.7
Contract assets		681.5	-
Inventories		362.1	283.7
Trade and other receivables		2,161.3	1,983.2
Income tax receivable		68.7	1.3
Current deferred distribution fees		230.1	207.9
Other current assets		82.5	31.7
includes derivative instruments assets		*1.6*	*5.1*
Cash and cash equivalents		876.1	1,161.5
Restricted cash		11.7	10.5
Total current assets		**4,827.2**	**3,931.5**
Total assets		**29,751.6**	**27,756.0**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Share capital	12	25.6	25.6
Share premium	12	7,174.0	7,174.0
Other reserves		(204.3)	3.2
Retained earnings		5,904.4	4,871.4
Equity attributable to equity holders of the Parent		**12,899.7**	**12,074.2**
Non-controlling interests		554.3	42.6
Total equity		**13,454.0**	**12,116.8**
Loans and borrowings	14	9,139.4	9,291.4
Issued bonds	15	975.5	975.7
Finance lease liabilities		14.6	18.6
UMTS license liabilities		466.9	440.8
Deferred tax liabilities		1,027.8	879.8
Deferred income		-	3.2
Other non-current liabilities and provisions		436.6	114.2
includes derivative instruments		*0.5*	-
Total non-current liabilities		**12,060.8**	**11,723.7**
Loans and borrowings	14	1,074.7	1,341.9
Issued bonds	15	42.4	42.5
Finance lease liabilities		9.7	9.7
UMTS license liabilities		121.3	114.5
Contract liabilities		649.1	-
Trade and other payables		2,254.9	1,727.3
includes derivative instruments		*4.2*	*3.6*
Income tax liability		44.9	61.3
Deferred income		39.8	618.3
Total current liabilities		**4,236.8**	**3,915.5**
Total liabilities		**16,297.6**	**15,639.2**
Total equity and liabilities		**29,751.6**	**27,756.0**

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

Interim Consolidated Cash Flow Statement

	Note	for the 6 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	30 June 2017 unaudited *(IAS 18 basis)*
Net profit		**523.6**	**553.1**
Adjustments for:		**873.3**	**1,062.8**
Depreciation, amortization, impairment and liquidation	9	925.3	919.0
Payments for film licenses and sports rights		(124.7)	(94.2)
Amortization of film licenses and sports rights		103.8	102.7
Interest expense		166.7	228.7
Change in inventories		(45.1)	(0.3)
Change in receivables and other assets		(516.5)	(112,7)
Change in liabilities, provisions and deferred income		125.8	(112.9)
Change in contract assets		48.1	-
Change in contract liabilities		39.5	-
Foreign exchange (gains)/losses, net		24.1	(27.4)
Income tax		171.8	138.4
Net additions of reception equipment provided under operating lease		(42.9)	(65.6)
Share of the profit of associates accounted for using the equity method		(5.1)	-
Early redemption costs		-	58.7
Other adjustments		2.5	28.4
Cash from operating activities		**1,396.9**	**1,615.9**
Income tax paid		(191.3)	(112.5)
Interest received from operating activities		14.6	16.0
Net cash from operating activities		**1,220.2**	**1,519.4**
Acquisition of property, plant and equipment		(266.7)	(268.8)
Acquisition of intangible assets		(83.9)	(114.2)
Acquisition of shares in associates and other entities		(15.7)	-
Acquisition of subsidiaries, net of cash acquired	16	(276.8)	-
Proceeds from sale of property, plant and equipment		10.6	16.0
Investment funds outflows		(50.0)	-
Investment funds inflows		50.3	-
Granted loans		(11.0)	-
Repayment of granted loans		6.4	-
Other outflows		(0.9)	(0.5)
Net cash used in investing activities		**(637.7)**	**(367.5)**

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

Loans and borrowings inflows	14	18.1	600.0
Bonds redemption	15	-	(886.7)
Repayment of loans and borrowings	14	(652.0)	(568.0)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(230.9)	(206.0)
Early redemption fee	15	-	(58.7)
Other outflows		(3.4)	(2.9)
Net cash used in financing activities		**(868.2)**	**(1,122.3)**
Net increase/(decrease) in cash and cash equivalents		**(285.7)**	**29.6**
Cash and cash equivalents at the beginning of the period		**1,172.0****	**1,336.7*****
Effect of exchange rate fluctuations on cash and cash equivalents		1.5	(3.7)
Cash and cash equivalents at the end of the period		**887.8******	**1,362.6*******

* Includes impact of hedging instruments and amount paid for costs related to the new financing
** Includes restricted cash amounting to PLN 10.5
*** Includes restricted cash amounting to PLN 10.7
**** Includes restricted cash amounting to PLN 11.7
***** Includes restricted cash amounting to PLN 8.0

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2018

	Note	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 31 December 2017		**25.6**	**7,174.0**	**3.2**	**4,871.4**	**12,074.2**	**42.6**	**12,116.8**
Impact of the implementation of IFRS 15		-	-	-	496.4	496.4	-	**496.4**
Balance as at 1 January 2018		**25.6**	**7,174.0**	**3.2**	**5,367.8**	**12,570.6**	**42.6**	**12,613.2**
Acquisition of Netia S.A.	16	-	-	-	-	-	525.0	**525.0**
Acquisition of Eleven Sports Network Sp. z o.o.	16	-	-	-	-	-	(2.9)	**(2.9)**
Put option valuation	16, 20	-	-	(207.1)	-	(207.1)	2.6	**(204.5)**
Total comprehensive income		-	-	(0.4)	536.6	536.2	(13.0)	**523.2**
Hedge valuation reserve		-	-	*(0.4)*	-	*(0.4)*	-	***(0.4)***
Net profit for the period		-	-	-	*536.6*	*536.6*	*(13.0)*	***523.6***
Balance as at 30 June 2018 unaudited		**25.6**	**7,174.0**	**(204.3)**	**5,904.4**	**12,899.7**	**554.3**	**13,454.0**

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 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	-	-	-	(204.7)	(204.7)	-	**(204.7)**
Total comprehensive income	-	-	(0.9)	570.6	569.7	(17.5)	**552.2**
Hedge valuation reserve	-	-	*(0.9)*	-	*(0.9)*	-	**(0.9)**
Net profit for the period	-	-	-	*570.6*	*570.6*	*(17.5)*	**553.1**
Balance as at 30 June 2017 unaudited	**25.6**	**7,174.0**	**3.6**	**4,461.4**	**11,664.6**	**60.5**	**11,725.1**

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

Notes to the Interim Condensed Consolidated Financial Statements

General information

1. The Parent Company

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

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

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

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

2. Composition of the Management Board of the Company

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

3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board,
- Piotr Żak	Member of the Supervisory Board (from 28 June 2018).

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

Statement of compliance

These interim condensed consolidated financial statements for the 6 months ended 30 June 2018 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together with the annual consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. These interim condensed consolidated financial statements have been prepared on a going concern basis.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9"). As required in IAS 34 Interim Financial Reporting, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have material impact on the interim condensed consolidated financial statements of the Group.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2018 and below detail introduced to basis of consolidation.

Equity transactions between a parent entity and the non-controlling interests are treated as transactions between shareholders, provided that the transactions do not result in a change of control. No gains or losses are recognised in profit or loss for transactions between the parent entity and the non-controlling interest, unless control is lost. Transactions where control is not lost are recorded within equity.

Put options granted in business combinations to holders of non-controlling interest in the subsidiary (ie. obligating the Group to acquire non-controlling interests in particular circumstances in the future for a particular price) give rise to a financial liability recognised in the consolidated balance sheet.

While such put option remains unexercised, at the end of each reporting period the Group determines the amount of non-controlling interest (including share of profit/losses attributable to the non-controlling interest), de-recognises the controlling interest as if was acquired at that balance sheet date and recognises a financial liability measured at present value of the redemption amount. The difference is accounted for as a transaction between a parent entity and the non-controlling interests as described above.

On expiry of an unexercised put option the Group derecognises the financial liability in full and recognises non-controlling interest as if the put option was never granted.

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IFRS 9 Financial Instruments

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

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

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

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Implementation of the forward-looking model did not have a significant effect on the Group's bad debt allowance.

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

The implementation of IFRS 15 resulted in a recognition of contract liabilities in the balance sheet. Contract liabilities represent the Group's obligation to transfer goods or services to customers, for which the Group received consideration or an amount of the consideration is due from the customer.

The Group has not identified any material rights in the contracts which should have been separately presented as Group's obligations.

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

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

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

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

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

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

	1 January 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**1 January 2018 unaudited prepared in accordance with IFRS 15**
Reception equipment	325.3	-	325.3
Other property, plant and equipment	2,867.1	-	2,867.1
Goodwill	11,041.7	-	11,041.7
Customer relationships	2,557.3	-	2,557.3
Brands	2,037.1	-	2,037.1
Other intangible assets	3,261.5	-	3,261.5
Non-current programming assets	170.1	-	170.1
Investment property	5.1	-	5.1
Non-current deferred distribution fees	91.4	-	91.4
Other non-current assets, includes:	1,270.7	(27.7)	1,243.0
shares in associates accounted for using the equity method	*665.2*	-	*665.2*
derivative instruments	*1.9*	-	*1.9*
Deferred tax assets	197.2	-	197.2
Total non-current assets	**23,824.5**	**(27.7)**	**23,796.8**
Current programming assets	251.7	-	251.7
Contract assets	-	710.4	710.4
Inventories	283.7	25.2	308.9
Trade and other receivables	1,983.2	(88.4)	1,894.8
Income tax receivable	1.3	-	1.3
Current deferred distribution fees	207.9	-	207.9
Other current assets	31.7	-	31.7
includes derivative instruments assets	*5.1*	-	*5.1*
Cash and cash equivalents	1,161.5	-	1,161.5
Restricted cash	10.5	-	10.5
Total current assets	**3,931.5**	**647.2**	**4,578.7**
Total assets	**27,756.0**	**619.5**	**28,375.5**

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

	1 January 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**1 January 2018 unaudited prepared in accordance with IFRS 15**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Other reserves	3.2	-	3.2
Retained earnings	4,871.4	496.4	5,367.8
Equity attributable to equity holders of the Parent	**12,074.2**	**496.4**	**12,570.6**
Non-controlling interests	42.6	-	42.6
Total equity	**12,116.8**	**496.4**	**12,613.2**
Loans and borrowings	9,291.4	-	9,291.4
Issued bonds	975.7	-	975.7
Finance lease liabilities	18.6	-	18.6
UMTS license liabilities	440.8	-	440.8
Deferred tax liabilities	879.8	116.4	996.2
Deferred income	3.2	(3.2)	-
Other non-current liabilities and provisions	114.2	-	114.2
Total non-current liabilities	**11,723.7**	**113.2**	**11,836.9**
Loans and borrowings	1,341.9	-	1,341.9
Issued bonds	42.5	-	42.5
Finance lease liabilities	9.7	-	9.7
UMTS license liabilities	114.5	-	114.5
Contract liabilities	-	600.3	600.3
Trade and other payables	1,727.3	25.2	1,752.5
includes derivative instruments	*3.6*	-	*3.6*
Income tax liability	61.3	-	61.3
Deferred income	618.3	(615.6)	2.7
Total current liabilities	**3,915.5**	**9.9**	**3,925.4**
Total liabilities	**15,639.2**	**123.1**	**15,762.3**
Total equity and liabilities	**27,756.0**	**619.5**	**28,375.5**

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

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

	for the 6 months ended		
	30 June 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**30 June 2018 unaudited prepared in accordance with IFRS 15**
Revenue	**4,982.4**	**(33.3)**	**4,949.1**
Retail revenue	3,066.8	(232.5)	2,834.3
Wholesale revenue	1,374.4	-	1,374.4
Sale of equipment	448.1	211.1	659.2
Other revenue	93.1	(11.9)	81.2
Operating cost	**(4,024.0)**	**(20.1)**	**(4,044.1)**
Technical costs and cost of settlements with telecommunication operators	(1,083.0)	-	(1,083.0)
Depreciation, amortization, impairment and liquidation	(925.3)	-	(925.3)
Cost of equipment sold	(534.9)	(20.1)	(555.0)
Content costs	(592.4)	-	(592.4)
Distribution, marketing, customer relation management and retention costs	(428.7)	-	(428.7)
Salaries and employee-related costs	(313.1)	-	(313.1)
Cost of debt collection services, bad debt allowance and receivables written off	(29.5)	-	(29.5)
Other costs	(117.1)	-	(117.1)
Other operating income, net	**6.1**	**-**	**6.1**
Profit from operating activities	**964.5**	**(53.4)**	**911.1**
Gain/(loss) on investment activities, net	(49.3)	-	(49.3)
Finance costs, net	(171.5)	-	(171.5)
Share of the profit of associates accounted for using the equity method	5.1	-	5.1
Gross profit for the period	**748.8**	**(53.4)**	**695.4**
Income tax	(182.0)	10.2	(171.8)
Net profit for the period	**566.8**	**(43.2)**	**523.6**

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

	30 June 2018 unaudited prepared in accordance with IAS 18	Adjustments	30 June 2018 unaudited prepared in accordance with IFRS 15
Reception equipment	294.1	-	294.1
Other property, plant and equipment	4,419.9	-	4,419.9
Goodwill	11,530.0	-	11,530.0
Customer relationships	2,358.7	-	2,358.7
Brands	2,024.8	-	2,024.8
Other intangible assets	3,097.5	-	3,097.5
Non-current programming assets	211.1	-	211.1
Investment property	30.0	-	30.0
Non-current deferred distribution fees	93.0	-	93.0
Other non-current assets, includes:	674.9	(25.6)	649.3
shares in associates accounted for using the equity method	*40.4*	-	*40.4*
derivative instruments	*1.4*	-	*1.4*
Deferred tax assets	216.0	-	216.0
Total non-current assets	**24,950.0**	**(25.6)**	**24,924.4**
Current programming assets	353.2	-	353.2
Contract assets	-	681.5	681.5
Inventories	352.2	9.9	362.1
Trade and other receivables	2,255.7	(94.4)	2,161.3
Income tax receivable	68.7	-	68.7
Current deferred distribution fees	230.1	-	230.1
Other current assets	82.5	-	82.5
includes derivative instruments	*1.6*	-	*1.6*
Cash and cash equivalents	876.1	-	876.1
Restricted cash	11.7	-	11.7
Total current assets	**4,230.2**	**597.0**	**4,827.2**
Total assets	**29,180.2**	**571.4**	**29,751.6**

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

	30 June 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**30 June 2018 unaudited prepared in accordance with IFRS 15**
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Other reserves	(204.3)	-	(204.3)
Retained earnings	5,451.2	453.2	5,904.4
Equity attributable to equity holders of the Parent	**12,446.5**	**453.2**	**12,899.7**
Non-controlling interests	554.3	-	554.3
Total equity	**13,000.8**	**453.2**	**13,454.0**
Loans and borrowings	9,139.4	-	9,139.4
Issued bonds	975.5	-	975.5
Finance lease liabilities	14.6	-	14.6
UMTS license liabilities	466.9	-	466.9
Deferred tax liabilities	921.6	106.2	1,027.8
Deferred income	20.4	(20.4)	-
Other non-current liabilities and provisions	436.6	-	436.6
includes derivative instruments	*0.5*	-	*0.5*
Total non-current liabilities	**11,975.0**	**85.8**	**12,060.8**
Loans and borrowings	1,074.7	-	1,074.7
Issued bonds	42.4	-	42.4
Finance lease liabilities	9.7	-	9.7
UMTS license liabilities	121.3	-	121.3
Contract liabilities	-	649.1	649.1
Trade and other payables	2,246.5	8.4	2,254.9
includes derivative instruments	*4.2*	-	*4.2*
Income tax liability	44.9	-	44.9
Deferred income	664.9	(625.1)	39.8
Total current liabilities	**4,204.4**	**32.4**	**4,236.8**
Total liabilities	**16,179.4**	**118.2**	**16,297.6**
Total equity and liabilities	**29,180.2**	**571.4**	**29,751.6**

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

	for the 6 months ended		
	30 June 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**30 June 2018 unaudited prepared in accordance with IFRS 15**
Net profit	**566.8**	**(43.2)**	**523.6**
Adjustments for:	**830.1**	**43.2**	**873.3**
Depreciation, amortization, impairment and liquidation	925.3	-	925.3
Payments for film licenses and sports rights	(124.7)	-	(124.7)
Amortization of film licenses and sports rights	103.8	-	103.8
Interest expense	166.7	-	166.7
Change in inventories	(60.4)	15.3	(45.1)
Change in receivables and other assets	(520.4)	3.9	(516.5)
Change in liabilities, provisions and deferred income	179.2	(53.4)	125.8
Change in contract assets	-	48.1	48.1
Change in contract liabilities	-	39.5	39.5
Foreign exchange losses, net	24.1	-	24.1
Income tax	182.0	(10.2)	171.8
Net additions of reception equipment provided under operating lease	(42.9)	-	(42.9)
Share of the profit of associates accounted for using the equity method	(5.1)	-	(5.1)
Other adjustments	2.5	-	2.5
Cash from operating activities	**1,396.9**	**-**	**1,396.9**
Income tax paid	(191.3)	-	(191.3)
Interest received from operating activities	14.6	-	14.6
Net cash from operating activities	**1,220.2**	**-**	**1,220.2**
Acquisition of property, plant and equipment	(266.7)	-	(266.7)
Acquisition of intangible assets	(83.9)	-	(83.9)
Acquisition of shares in associates and other entities	(15.7)	-	(15.7)
Acquisition of subsidiaries, net of cash acquired	(276.8)	-	(276.8)
Proceeds from sale of property, plant and equipment	10.6	-	10.6
Investment funds outflows	(50.0)	-	(50.0)
Investment funds inflows	50.3		50.3
Granted loans	(11.0)	-	(11.0)
Repayment of granted loans	6.4	-	6.4
Other outflows	(0.9)	-	(0.9)
Net cash used in investing activities	**(637.7)**	**-**	**(637.7)**

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

Loans and borrowings inflows	18.1	-	18.1
Repayment of loans and borrowings	(652.0)	-	(652.0)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*	(230.9)	-	(230.9)
Other outflows	(3.4)	-	(3.4)
Net cash used in financing activities	**(868.2)**	**-**	**(868.2)**
Net decrease in cash and cash equivalents	**(285.7)**	**-**	**(285.7)**
Cash and cash equivalents at the beginning of the period	**1,172.0****	**-**	**1,172.0****
Effect of exchange rate fluctuations on cash and cash equivalents	1.5	-	1.5
Cash and cash equivalents at the end of the period	**887.8*****	**-**	**887.8*****

* includes impact of derivative instruments and payment due to loan agreement modification
** Includes restricted cash amounting to PLN 10.5
*** includes restricted cash amounting to PLN 11.7

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

5. Group structure

These interim condensed consolidated financial statements for the 6 months ended 30 June 2018 include the following entities:

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2018	Share in voting rights (%) 31 December 2017
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, 03-878 Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	non-current assets and intellectual property rights management	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, 04-175 Warsaw	advertising activities	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licences	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	media	100%	100%
PL 2014 Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	telecommunication activities	100%	100%
Polsat Brands AG	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London, UK	television broadcasting	100%	100%
Muzo.fm Sp. z o.o.	Ostrobramska 77, 04-175 Warsaw	radio broadcasting and production	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, 03-878 Warsaw	technical services	100%	100%
Eileme 1 AB (publ) [(a)]	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	-	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 June 2018	31 December 2017
Subsidiaries accounted for using full method (cont.)				
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Liberty Poland S.A.	Katowicka 47 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Plus TM Management Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights management and rental	100%	100%
TM Rental Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	100%	100%
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Orsen Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%
Dwa Sp. z o.o.	Al. Jerozolimskie 81, 02-001 Warsaw	holding activities	100%	100%
Interphone Service Sp. z o.o.	ul. Inwestorów 8, 39-300 Mielec	production of set-top boxes	100%	100%
Teleaudio Dwa Sp. z o.o. sp.k.	Al. Jerozolimskie 81, 02-001 Warsaw	call center and premium rate services	100%	100%
IB 1 FIZAN	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	financial activities	*	*
Litenite Ltd.	Kostaki Pantelidi 1 1010, Nicosia, Cyprus	holding activities	100%	100%
Aero 2 Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Sferia S.A.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	51%	51%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2018	31 December 2017
Subsidiaries accounted for using full method (cont.)				
Altalog Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	software	66%	66%
Plus Flota Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	management and rental services	100%	100%
Eska TV S.A.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Lemon Records Sp. z o.o.	Jubilerska 10, 04-190 Warsaw	television broadcasting and production	100%	100%
Coltex ST Sp. z o.o.(b)	Szymanowskiego 2, 80-280 Gdańsk	telecommunication activities	100%	-
Netia S.A.(c)	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	-
Internetia Sp. z o.o.(c)	Poleczki 13, 02-822 Warsaw	telecommunication activities	65.98%	-
Netia 2 Sp. z o.o.(c)	Taśmowa 7A, 02-677 Warsaw	telecommunication activities	65.98%	-
TK Telekom Sp. z o.o.(c)	Kijowska 10/12A, 03-743 Warsaw	telecommunication activities	65.98%	-
Telefonia Dialog Sp. z o.o.(c)	Strzegomska 142A, 54-429 Wrocław	telecommunication activities	65.98%	-
Petrotel Sp. z o.o.(c)	Chemików 7, 09-411 Płock	telecommunication activities	65.98%	-
Eleven Sports Network Sp. z o.o. (d)	Plac Europejski 2, 00-844 Warsaw	television broadcasting	50% plus 1 share	-
Superstacja Sp. z o.o. (e)	Al. Stanów Zjednoczonych 53, 04-028 Warsaw	television broadcasting and production	100%	-
Netshare Media Group Sp. z o.o. (f)	Saska 16, 03-968 Warsaw	advertising activities	100%	-

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

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

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

(c) Company consolidated from 22 May 2018 as a result of obtaining control by the Group over Netia S.A. (see note 16).

(d) Company consolidated from 25 May 2018 following acquisition of 50% shares plus one share by the Group (see note 16).

(e) Company consolidated from 4 June 2018 following acquisition of 100% shares by the Group (see note 16).

(f) Company consolidated from 25 June 2018 following acquisition of 100% shares by the Group (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 June 2018	Share in voting rights (%) 31 December 2017
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.	Wiertnicza 159, Warsaw	radio communications and radio diffusion	50%	50%
TV Spektrum Sp. z o.o.(a)	Dęblińska 6, 04-187 Warsaw	television broadcasting and production	49.48%	34.02%
Netia S.A.(b)	Poleczki 13, 02-822 Warsaw	telecommunication activities	-	31.76%
TVO Sp. z o.o.	Stefana Batorego 28-32, 81-366 Gdynia	retail sales	45.1%	-

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

(b) On 22 May 2018 Cyfrowy Polsat S.A. took control over Netia S.A.

(c) On 29 May 2018 Cyfrowy Polsat Trade Marks Sp. z o.o. acquired 45.1% shares in TVO Sp. z o.o.

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 6 months ended 30 June 2018:

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2018	Share in voting rights (%) 31 December 2017
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25E lok. 216, 10-686 Olsztyn	infrastructure projects advisory	1.5%**	1.5%**
Premium Mobile S.A.	Gintrowskiego 31, 02-697 Warsaw	telecommunication activities	1%	-

* Investment accounted for at cost less any accumulated impairment losses

** Altalog Sp. z o.o. holds 2.3% share in voting rights in InPlus Sp. z o.o.

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

6. Approval of the Interim Condensed Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 22 August 2018.

Explanatory notes

7. Information on seasonality in the Group's operations

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

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

8. Revenue

	for the 3 months ended		**for the 6 months ended**	
	30 June 2018 unaudited *(IFRS 15 basis)*	**30 June 2017 unaudited** *(IAS 18 basis)*	**30 June 2018 unaudited** *(IFRS 15 basis)*	**30 June 2017 unaudited** *(IAS 18 basis)*
Retail revenue	1,482.1	1,533.3	2,834.3	3,076.0
Wholesale revenue	738.5	652.3	1,374.4	1,214.4
Sale of equipment	341.7	243.3	659.2	491.9
Other revenue	40.9	41.0	81.2	76.2
Total	**2,603.2**	**2,469.9**	**4,949.1**	**4,858.5**

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

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

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

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9. Operating costs

		for the 3 months ended		for the 6 months ended	
	Note	30 June 2018 unaudited *(IFRS 15 basis)*	30 June 2017 unaudited *(IAS 18 basis)*	30 June 2018 unaudited *(IFRS 15 basis)*	30 June 2017 unaudited *(IAS 18 basis)*
Technical costs and cost of settlements with telecommunication operators		578.5	483.5	1,083.0	951.7
Depreciation, amortization, impairment and liquidation		470.8	446.7	925.3	919.0
Cost of equipment sold		282.5	318.8	555.0	642.4
Content costs		323.0	298.4	592.4	562.7
Distribution, marketing, customer relation management and retention costs		223.5	215.9	428.7	427.0
Salaries and employee-related costs	a)	169.3	133.7	313.1	261.5
Cost of debt collection services and bad debt allowance and receivables written off		17.6	16.3	29.5	35.6
Other costs		61.8	49.5	117.1	101.1
Total		**2,127.0**	**1,962.8**	**4,044.1**	**3,901.0**

a) Salaries and employee-related costs

	for the 3 months ended		for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited	30 June 2018 unaudited	30 June 2017 unaudited
Salaries	139.5	111.5	257.4	216.8
Social security contributions	22.9	18.6	44.5	37.3
Other employee-related costs	6.9	3.6	11.2	7.4
Total	**169.3**	**133.7**	**313.1**	**261.5**

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

	for the 3 months ended		for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited	30 June 2018 unaudited	30 June 2017 unaudited
Interest, net	4.5	6.1	9.7	15.8
Other foreign exchange gains/(losses), net	(31.0)	(0.8)	(35.2)	32.2
Other costs	(19.4)	(19.7)	(23.8)	(31.9)
Total	**(45.9)**	**(14.4)**	**(49.3)**	**16.1**

(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, net

	for the 3 months ended		for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited	30 June 2018 unaudited	30 June 2017 unaudited
Interest expense on loans and borrowings	88.3	93.5	177.6	184.5
Interest expense on issued bonds	10.8	16.9	21.4	48.0
Early redemption costs	-	-	-	58.7
Cumulative catch-up	(0.8)	-	(34.7)	-
Valuation and realization of hedging instruments	-	(0.1)	-	(0.2)
Valuation and realization of derivatives not used in hedge accounting	(0.7)	1.9	5.3	5.3
Guarantee fees, bank and other charges	1.3	1.1	1.9	2.5
Total	**98.9**	**113.3**	**171.5**	**298.8**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2018 and 31 December 2017:

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

(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 June 2018 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Reddev Investments Ltd. [1]	298,656,832	12.0	46.70%	472,203,083	57.66%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Karswell Ltd. [2]	10,000,000	0.4	1.56%	10,000,000	1.22%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Others	272,825,236	10.9	42.66%	278,696,486	34.03%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

The shareholders' structure as at 31 December 2017 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. [3]	55,092,796	2.3	8.61%	82,005,421	10.01%
Embud 2 Sp. z o.o. S.K.A. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,196,708	8.5	33.50%	214,196,708	26.16%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

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

(ii) Share premium

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

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2018	2017
Balance as at 1 January	**0.1**	**1.2**
Valuation of cash flow hedges	(0.5)	(1.1)
Deferred tax	0.1	0.2
Change for the period	**(0.4)**	**(0.9)**
Balance as at 30 June unaudited	**(0.3)**	**0.3**

(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 June 2018 unaudited**	**31 December 2017**
Short-term liabilities	1,074.7	1,341.9
Long-term liabilities	9,139.4	9,291.4
Total	**10,214.1**	**10,633.3**

Change in loans and borrowings liabilities:

	2018	**2017**
Loans and borrowings as at 1 January	**10,633.3**	**10,572.7**
Loans and borrowings on acquisition of Netia S.A. (see note 16)	259.8	-
Loans and borrowings on acquisition of Superstacja Sp. z o.o. (see note 16)	7.7	-
Revolving facility loan	-	600.0
Facilities agreement	18.1	-
Repayment of capital	(652.0)	(568.0)
Repayment of interest and commissions	(195.7)	(174.7)
Cumulative catch-up	(34.7)	-
Interest accrued	177.6	184.5
Loans and borrowings as at 30 June unaudited	**10,214.1**	**10,614.5**

On 2 March 2018 the Company entered into an amendments and restatement deed to the facilities agreement (see note 21 for details).

On 26 July 2018 Netia S.A. made early repayment of loans and borrowings.

15. Issued bonds

	30 June 2018 unaudited	**31 December 2017**
Short-term liabilities	42.4	42.5
Long-term liabilities	975.5	975.7
Total	**1,017.9**	**1,018.2**

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

Change in issued bonds:

	2018	2017
Issued bonds as at 1 January	**1,018.2**	**1,878.1**
Bonds redemption	-	(886.7)
Repayment of interest and commission	(21.7)	(21.6)
Early redemption costs	-	58.7
Early redemption fee	-	(58.7)
Interest accrued	21.4	48.0
Issued bonds payable as at 30 June unaudited	**1,017.9**	**1,017.8**

Other notes

16. Acquisition of shares

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

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

The consideration for the 100% shares of Coltex amounted to PLN 27.5.

a) Provisional consideration transferred

	Provisional value of consideration transferred consideration
Cash transferred for the 100% shares of Coltex	27.5
Provisional value as at 1 March 2018	**27.5**

b) Reconciliation of transactional cash flow

Cash transferred	(27.5)
Cash and cash equivalents received	7.0
Cash decrease in the period of 6 months ended 30 June 2018	**(20.5)**

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

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

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

Provisional fair values of assets and liabilities acquired as at 1 March 2018:

	Provisional fair value as at the acquisition date (1 March 2018)
Net assets:	
Inventories	4.0
Trade receivables and other receivables	16.1
Cash and cash equivalents	7.0
Trade liabilities and other liabilities	(22.2)
Provisional value of net assets	**4.9**
Consideration transferred as at 1 March 2018	**27.5**
Provisional goodwill	**22.6**

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

The revenue and net profit included in the interim consolidated income statement for the reporting period since 1 March 2018 contributed by Coltex amounted to PLN 0.6 and PLN 0.0, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the interim consolidated income statement for the 6 months ended 30 June 2018 would have amounted to PLN 4,949.2 and PLN 523.5, respectively.

Acquisition of shares in Netia S.A.

On 22 May 2018 purchase transactions of shares of Netia S.A. (“Netia”) were concluded. As a result of the tender offer settlement on 22 May 2018:
(i) Cyfrowy Polsat acquired 34,662,045 shares constituting in total 10.33% of the share capital of Netia and carrying the right to 34,662,045 votes at the general meeting of Netia as well as representing 10.33% of the total number of votes at Netia’s general meeting;
(ii) Karswell Limited, with its registered office in Nicosia, Cyprus (“Karswell”) acquired 76,040,399 shares constituting in total 22.67% of the share capital of Netia and carrying the right to 76,040,399 votes at the general meeting of Netia as well as representing 22.67% of the total number of votes at Netia’s general meeting.

Directly prior to the tender offer settlement, Cyfrowy Polsat held directly 110,702,441 shares in Netia (shares acquired on 5 December 2017) constituting in total 33% of the share capital of Netia and carrying the right to 110,702,441 votes at the general meeting of Netia as well as representing 33% of the total number of votes at Netia’s general meeting.

As at 30 June 2018:
(i) Cyfrowy Polsat held 145,364,486 shares of Netia constituting in total 43.32% of the share capital of Netia and carrying the right to 145,364,486 votes at the general meeting of Netia as well as representing 43.32% of the total number of votes at Netia’s general meeting;
(ii) Karswell held 76,040,399 shares of Netia constituting in total 22.66% of the share capital of Netia and carrying the right to 76,040,399 votes at the general meeting of Netia as well as representing 22.66% of the total number of votes at Netia’s general meeting.

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

On 5 December 2017 the Company and Karswell concluded the agreement on the joint acquisition of Netia's shares in a tender offer and preliminary share purchase agreement - Karswell shall sell all the shares to the Company acquired for the price paid by Karswell for shares under the tender offer. Karswell shall receive an additional premium for the period between the settlement date on which Karswell acquired the last share under the tender offer and a date on which the shares acquired by Karswell under the tender offer will be sold to the Company (the "Interim Period") in an amount equivalent to the average weighted cost of financing of the Company's capital group provided by financial institutions, prorated to the specific portion of the price paid by Karswell for shares under the tender offer for each day of the Interim Period. Additionally, during the Interim Period Karswell shall exercise the voting rights attached to the Netia shares acquired in the Tender Offer as instructed by the Company.

Taking into account the above mentioned circumstances on 22 May 2018 the Company obtained control over Netia.

a) Provisional consideration transferred

	Provisional value of consideration transferred consideration
Cash transferred for the 43.3% shares of Netia by Cyfrowy Polsat	838.8
Cash transferred for the 22.7% shares of Netia by Karswell*	438.7
Provisional value of 66% shares of Netia as at 22 May 2018	**1,277.5**

* - as at 30 June 2018 Cyfrowy Polsat presents liability due to Karswell in Trade and other payables

b) Reconciliation of transactional cash flow

Cash transferred by Cyfrowy Polsat	(200.0)
Cash and cash equivalents received	32.2
Cash decrease in the period of 6 months ended 30 June 2018	**(167.8)**

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 22 May 2018:

	Provisional fair value as at the acquisition date (22 May 2018)
Net assets:	
Other property, plant and equipment	1,679.8
Other intangible assets	68.2
Investment property	25.0
Non-current deferred distribution fees	6.9
Other non-current assets	19.3
Deferred tax assets	63.1
Contract assets	19.2
Inventories	3.9
Trade and other receivables	154.7
Income tax receivable	3.4
Current deferred distribution fees	26.8
Other current assets	9.7
Cash and cash equivalents	32.2
Loans and borrowings	(259.8)
Deferred tax liabilities	(8.3)
Deferred income	(53.8)
Other non-current liabilities and provisions	(2.0)
Contract liabilities	(9.3)
Trade and other payables	(228.4)
Income tax liability	(7.3)
Provisional value of net assets (100%)	**1,543.3**
Provisional value of net assets attributable to non-controlling interest	**525.0**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group and Karswell	**1,018.3**
Consideration transferred for 66% of shares as at 22 May 2018	**1,277.5**
Provisional goodwill	**259.2**

During the provisional purchase price allocation the Group identified a brand “Netia”, customer relationships and optical fibers. A valuation of these items to fair value has not been completed as at the date of preparation of these interim condensed consolidated financial statements and thus are included in the value of goodwill. The provisional fair value of assets and liabilities is estimated at book value as at the acquisition date.

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

The revenue and net profit included in the interim consolidated income statement for the reporting period since 22 May 2018 contributed by Netia capital group amounted to PLN 152.2 and PLN 10.9, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the interim consolidated income statement for the 6 months ended 30 June 2018 would have amounted to PLN 5,462.5 and PLN 552.4, respectively.

Acquisition of shares in Eleven Sports Network Sp. z o.o.

On 25 May 2018 the Company's subsidiary - Telewizja Polsat Sp. z o.o. ("Telewizja Polsat") acquired 50% plus one share of Eleven Sports Network Sp. z o.o. („Eleven") from Eleven Sports Network Ltd. („ESN LTD").

The total price for the shares acquired under the agreement has been set at EUR 38. The share price was payable in two tranches. The first tranche in the amount of EUR 18 was paid on 25 May 2018. The second tranche was adjusted for the net debt of Eleven and paid on 31 July 2018 in the amount of EUR 17.9.

If the value of Eleven based on the results for 2020 exceeds the amount of EUR 80, then Telewizja Polsat Sp. z o.o. will be required to pay to Eleven Sports Network Ltd. an additional earn-out payment equal to 25% of the surplus of Eleven's value over the amount of EUR 80 (with Eleven's value calculated as 9x adjusted EBITDA based on Eleven's financial statements for the financial year ending 30 June 2020). The additional payment is a conditional element of the price for the purchased shares of Eleven and its estimated amount has been classified as a financial liabilities and reflected in the pre-determined purchase price of shares under item a) below.

In addition, Telewizja Polsat Sp. z o.o., Eleven Sports Network Ltd. and Eleven executed a shareholders' agreement governing the rights and obligations between the shareholders and Eleven (the "Shareholders' Agreement"). The Shareholders' Agreement includes restrictions in the disposal of Eleven's shares and contractual penalties for a breach of material provisions of the Shareholders' Agreement with the maximum contractual penalty set forth therein in the amount of EUR 10. In addition Telewizja Polsat and ESN LTD have the right to acquire the stake of the other shareholder at the market price or to dispose of their respective stake to the other shareholder at the market price (put options and call options):

a) call option for Telewizja Polsat in the event of lack of unanimity of shareholders in situations demanding it and in the event of non-performance of this option by Telewizja Polsat - a call option for ESN LTD,
b) call option for Telewizja Polsat in the event of a change of control over ESN LTD,
c) mutual call options in the event of unrepaired breach of material terms of the Shareholders' Agreement,
d) put option for ESN UK available for execution in three periods of time (1 January 2022 – 28 February 2022, 1 January 2024 – 29 February 2024, 1 January 2026 – 28 February 2026).

Put options were recognized in the consolidated balance sheet of the Company in accordance with the accounting policy described in note 4.

The privileged position of Telewizja Polsat in Eleven's Management Board, ownership of more than 50% of votes at the general meeting of shareholders of Eleven, combined with the asymmetry of the call and put options described above, constitute the basis for consolidating Eleven on the basis of control over the company. This control is not temporary, due to the long-term nature of investments in Eleven by Telewizja Polsat and sufficient financial liquidity to settle the payment obligation for the purchase of the remaining Eleven shares owned by ESN LTD in the event of the above put and call options resulting in such an obligation.

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

a) Provisional consideration transferred

	Provisional value of consideration transferred consideration
Cash transferred for the 50% plus one share of Eleven on 25 May 2018	77.5
Deferred payment and estimated additional payment	107.5
Provisional value as at 25 May 2018	**185.0**

b) Reconciliation of transactional cash flow

Cash transferred	(77.5)
Cash and cash equivalents received	0.3
Cash decrease in the period of 6 months ended 30 June 2018	**(77.2)**

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

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

Provisional fair values of assets and liabilities acquired as at 25 May 2018:

	Provisional fair value as at the acquisition date (25 May 2018)
Net assets:	
Other property, plant and equipment	2.7
Other intangible assets	0.1
Programming assets	143.8
Trade receivables and other receivables	56.8
Other current assets	1.2
Cash and cash equivalents	0.3
Other liabilities and provisions	(6.0)
Deferred income	(38.1)
Trade liabilities and other liabilities	(166.6)
Provisional value of net assets (100%)	**(5.8)**
Provisional value of net assets attributable to non-controlling interest	**(2.9)**
Provisional value of net assets attributable to Cyfrowy Polsat Capital Group	**(2.9)**
Consideration transferred as at 25 May 2018	**185.0**
Provisional goodwill	**187.9**

Goodwill is allocated to the “Broadcasting and television production” operating segment.

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

The revenue and net profit included in the interim consolidated income statement for the reporting period since 25 May 2018 contributed by Eleven amounted to PLN 10.9 and PLN 0.5, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the interim consolidated income statement for the 6 months ended 30 June 2018 would have amounted to PLN 4,986.4 and PLN 506.5, respectively.

Acquisition of shares in Superstacja Sp. z o.o.

On 4 June 2018 Telewizja Polsat Sp. z o.o. (Company's subsidiary) acquired 100% shares of Superstacja Sp. z o.o. („Superstacja") from Ster Sp. z o.o., Karswell Limited and Sensor Overseas Limited.

The consideration for the 100% shares of Superstacja amounted to PLN 13.0.

a) Provisional consideration transferred

	Provisional value of consideration transferred consideration
Cash transferred for the 100% shares of Superstacja	13.0
Provisional value as at 4 June 2018	**13.0**

b) Reconciliation of transactional cash flow

Cash transferred	(13.0)
Cash and cash equivalents received	3.8
Cash decrease in the period of 6 months ended 30 June 2018	**(9.2)**

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

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

Provisional fair values of assets and liabilities acquired as at 4 June 2018:

	Provisional fair value as at the acquisition date (4 June 2018)
Net assets:	
Other property, plant and equipment	0.7
Trade receivables and other receivables	2.8
Cash and cash equivalents	3.8
Loans and borrowings	(7.7)
Trade liabilities and other liabilities	(1.6)
Provisional value of net assets	**(2.0)**
Consideration transferred as at 4 June 2018	**13.0**
Provisional goodwill	**15.0**

Goodwill is allocated to the “Broadcasting and television production” operating segment.

The revenue and net loss included in the interim consolidated income statement for the reporting period since 4 June 2018 contributed by Superstacja amounted to PLN 0.9 and PLN 0.2, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the interim consolidated income statement for the 6 months ended 30 June 2018 would have amounted to PLN 4,952.7 and PLN 523.8, respectively.

Acquisition of shares in Netshare Media Group Sp. z o.o.

On 25 June 2018 Cyfrowy Polsat S.A. acquired 100% shares of Netshare Media Group Sp. z o.o. („NMG”) from Mr. Michał Jordan and Mr. Paweł Ossowski.

The consideration for the 100% shares of NMG amounted to PLN 50,000 (not in millions).

a) Provisional consideration transferred

	Provisional value of consideration transferred consideration
Cash transferred for the 100% shares of NMG	0.1
Provisional value as at 25 June 2018	**0.1**

b) Reconciliation of transactional cash flow

Cash transferred	(0.1)
Cash and cash equivalents received	0.0
Cash decrease in the period of 6 months ended 30 June 2018	**(0.1)**

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

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

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

Provisional fair values of assets and liabilities acquired as at 25 June 2018:

	Provisional fair value as at the acquisition date (25 June 2018)
Net assets:	
Trade receivables and other receivables	0.5
Cash and cash equivalents	0.0
Trade liabilities and other liabilities	(2.0)
Provisional value of net assets	**(1.5)**
Consideration transferred as at 25 June 2018	**0.1**
Provisional goodwill	**1.6**

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

The revenue and net loss included in the interim consolidated income statement for the reporting period since 25 June 2018 contributed by NMG amounted to PLN 0.0 and PLN 0.0, respectively. Had it been acquired on 1 January 2018 the proforma revenue and net income included in the interim consolidated income statement for the 6 months ended 30 June 2018 would have amounted to PLN 4,949.1 and PLN 523.5, respectively.

Additional payments for shares in ESKA TV S.A. and Lemon Records Sp. z o.o.

During 6 months ended 30 June 2018 Telewizja Polsat Sp. z o.o. (Company’s subsidiary) made additional payments for shares in ESKA TV S.A. and Lemon Records Sp. z o.o. in amount of PLN 2 (above mentioned entities were acquired on 4 December 2017).

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;
- fixed telecommunication services, which generate revenues mainly from subscription fees, interconnection and settlements with operators;
- providing access to broadband Internet in mobile and fixed-line technologies which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services;
- lease of optical fibers and infrastructure;
- 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.

(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 6 months ended 30 June 2018:

The 6 months ended 30 June 2018 (unaudited) – *IFRS 15 basis*	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,269.2	679.9	-	4,949.1
Inter-segment revenues	27.7	82.4	(110.1)	-
Revenues	**4,296.9**	**762.3**	**(110.1)**	**4,949.1**
EBITDA (unaudited)	**1,550.2**	**286.2**	**-**	**1,836.4**
Depreciation, amortization, impairment and liquidation	904.8	20.5	-	925.3
Profit from operating activities	**645.4**	**265.7**	**-**	**911.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	373.9*	20.0	-	393.9
Balance as at 30 June 2018 (unaudited)				
Assets, including:	24,937.5	5,024.5**	(210.4)	29,751.6
Investments in joint venture	4.3	36.1	-	40.4

* 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 10.6.

All material revenues are generated in Poland.

It should be noted that the data for 6 months ended 30 June 2018 allocated to the "Services to individual and business customers" segment are not comparable to the 6 months ended 30 June 2017 as LTE Holdings Limited was disposed on 19 June 2017, 51% shares in Plus Flota Sp. z o.o. (formerly Paszport Korzyści Sp. z o.o.) were acquired on 7 September 2017, 31.76% shares in Netia S.A. were acquired on 5 December 2017 and additional 10.33% shares in Netia S.A. were acquired on 22 May 2018, shares in New Media Ventures Sp. z o.o. were disposed on 8 December 2017, Coltex ST Sp. z o.o. were acquired on 1 March 2018, 45.1% shares in TVO Sp. z o.o. were acquired on 29 May 2018 and 100% shares in Netshare Media Group Sp. z o.o. were acquired on 25 June 2018.

It should be noted also that the data for 6 months ended 30 June 2018 allocated to the "Broadcasting and television production" are not comparable to the 6 months ended 30 June 2017 as Eska TV S.A. and Lemon Records Sp. z o.o. were acquired on 4 December 2017, 34.02% shares in TV Spektrum Sp. z o.o. were acquired on 4 December 2017 and additional 15.46% shares in TV Spectrum Sp. z o.o. on 2 February 2018, 50% plus one share in Eleven Sports Network Sp. z o.o. were acquired on 25 May 2018 and 100% shares in Superstacja Sp. z o.o. were acquired on 4 June 2018.

(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 6 months ended 30 June 2017:

The 6 months ended 30 June 2017 (unaudited) – *IAS 18 basis*	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,249.3	609.2	-	4,858.5
Inter-segment revenues	21.0	84.8	(105.8)	-
Revenues	**4,270.3**	**694.0**	**(105.8)**	**4,858.5**
EBITDA (unaudited)	**1,629.7**	**263.5**	**-**	**1,893.2**
Depreciation, amortization, impairment and liquidation	899.8	19.2	-	919.0
Profit from operating activities	**729.9**	**244.3**	**-**	**974.2**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	433.8*	15.1	-	448.9
Balance as at 30 June 2017 (unaudited)				
Assets, including:	22,975.4	4,656.0**	(313.9)	27,317.5
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 12.5.

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2018 unaudited *(IFRS 15 basis)*	**30 June 2017 unaudited** *(IAS 18 basis)*
EBITDA (unaudited)	**1,836.4**	**1,893.2**
Depreciation, amortization, impairment and liquidation (note 9)	(925.3)	(919.0)
Profit from operating activities	**911.1**	**974.2**
Other foreign exchange rate differences, net (note 10)	(35.2)	32.2
Interest costs, net (note 10 and 11)	(194.6)	(221.8)
Early redemption costs (note 11)	-	(58.7)
Cumulative catch-up (note 11)	34.7	-
Share of the profit of associates accounted for using the equity method	5.1	-
Other	(25.7)	(34.4)
Gross profit for the period	**695.4**	**691.5**
Income tax	(171.8)	(138.4)
Net profit for the period	**523.6**	**553.1**

(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 June 2018 unaudited	31 December 2017
Joint ventures	1.6	3.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	10.6	6.6
Total*	**12.2**	**9.9**

*Amounts presented above do not include deposits paid (30 June 2018 – PLN 3.4, 31 December 2017 – PLN 3.4)

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

Other assets

	30 June 2018 unaudited	31 December 2017
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.5	0.3
Total	**0.5**	**0.3**

Liabilities

	30 June 2018 unaudited	31 December 2017
Joint ventures	10.8	2.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	470.7	35.5
Total	**481.5**	**37.6**

A significant portion of liabilities is represented by labilities related to the agreement on the acquisition of Netia, concluded between the Company and Karswell (note 16).

Loans granted

	30 June 2018 unaudited	31 December 2017
Joint ventures	13.2	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	2.2	2.1
Total	**15.4**	**2.1**

Loans received

	30 June 2018 unaudited	31 December 2017
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	4.8	-
Total	**4.8**	**-**

(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 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited
Subsidiaries	18.8*	-
Joint ventures	0.3	0.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	19.5	7.3
Total	**38.6**	**7.5**

* Concerns transaction with subsidiaries executed prior to their acquisition.

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited
Subsidiaries	13.5*	-
Joint ventures	19.5	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.	121.8	118.9
Total	**154.8**	**120.2**

* Concerns transaction with subsidiaries executed prior to their acquisition.

In 6 months ended 30 June 2018 the most significant transactions include cost of electrical energy, expenses for programming assets, advertising services and property rental.
In 6 months ended 30 June 2017 the most significant transactions include cost of electrical energy, property rental, expenses for programming assets and advertising services.

Gain on investment activities, net

	for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited
Joint ventures	0.2	1.4
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.	0.1	0.1
Total	**0.3**	**1.5**

Finance costs

	for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 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.	2.3	78.4
Total	**2.3**	**78.4**

19. Contingent liabilities

Management believes that the provisions as at 30 June 2018 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

On 27 December 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5. The company appealed to SOKiK against the decision. On 15 October 2014 SOKiK issued a decision where the penalty has been reduced to PLN 1.5. On 10 February 2016 SOKiK's decision has been revoked thus re-establishing the penalty back at PLN 4.5. On 15 March 2016 Polkomtel made a payment in the amount of PLN 1.8. On 23 March 2018, SOKiK dismissed Polkomtel's appeal by upholding the decision of the President of UOKiK. On 13 July 2018 Polkomtel made a payment in the amount of PLN 2.7. The case is finally closed.

On 30 December 2014 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0. The company appealed to SOKiK against the decision. On 5 March 2018, SOKiK issued a decision where the penalty has been annulled and dismissed the appeal in remaining scope. Both parties appealed to the Court of Appeals in Warsaw.

Other proceedings

On 28 April 2017, ZASP filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirety. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. Date of hearing was scheduled for 14 November 2018.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases. Other significant proceedings described in the consolidated financial statements for the year ended 31 December 2017 remained unchanged.

20. Risk and fair value

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended as at 31 December 2017. There have been no significant changes in any risk management policies since the end of year 2017.

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

Liquidity risk

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

Fair value

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

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

			30 June 2018 unaudited *(IFRS 15 basis)*		**31 December 2017** *(IAS 18 basis)*	
	Category according to IFRS 9	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	40.8	40.8	4.5	4.5
Trade and other receivables	A	*	2,583.5	2,583.5	2,454.5	2,454.5
Contract assets	A	*	681.5	681.5	-	-
Cash and cash equivalents and short-term deposits	A	*	876.1	876.1	1,161.5	1,161.5
Restricted cash	A	*	11.7	11.7	10.5	10.5
Loans and borrowings	B	2	(10,252.1)	(10,214.1)	(10,692.0)	(10,633.3)
Issued bonds	B	1	(1,039.3)	(1,017.9)	(1,036.7)	(1,018.2)
UMTS licence liabilities	B	2	(624.1)	(588.2)	(594.2)	(555.3)
Finance lease liabilities	B	2	(24.3)	(24.3)	(28.3)	(28.3)
Accruals	B	*	(729.0)	(729.0)	(760.5)	(760.5)
Trade and other payables and deposits	B	*	(1,353.3)	(1,353.3)	(665.3)	(665.3)
Total			**(9,828.5)**	**(9,733.2)**	**(10,146.0)**	**(10,029.9)**
Unrecognized loss				**(95.3)**		**(116.1)**

A – assets subsequently measured at amortised cost
B – liabilities subsequently measured at amortised cost
* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value

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

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

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

When determining the fair value of UMTS license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

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

As at 30 June 2018 loans and borrowings comprised bank loans and other loan. As at 31 December 2017 loans and borrowings comprised bank loans. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the credit risk. When determining the fair value of bank loans granted to Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o. as at 30 June 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed dates of repayment of the loans) were analyzed. When determining the fair value of bank loans granted to Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o. as at 31 December 2017, forecasted cash flows from the reporting date to 21 September 2020 (assumed dates of repayment of the loans as at 31 December 2017) were analyzed. When determining the fair value of bank loans granted to Netia S.A. as at 30 June 2018, cash flows from the reporting date to 26 July 2018 (date of repayment of the loans) were analyzed.

The fair value of bonds issued by Cyfrowy Polsat S.A as at 30 June 2018 and 31 December 2017 was estimated as a last purchase price at the balance sheet date according to GPW Catalyst quotations.

As at 30 June 2018, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value	**30 June 2018 unaudited**	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments		**-**	**2.9**	**-**
Forward transactions		*-*	*0.4*	*-*
Interest rate swaps		*-*	*2.5*	*-*
Hedging derivative instruments		**-**	**0.1**	**-**
Interest rate swaps		*-*	*0.1*	*-*
Investments in equity instruments		**-**	**0.4**	**-**
Total		**-**	**3.4**	**-**

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

Liabilities measured at fair value

	30 June 2018 unaudited	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments		**-**	**(4.2)**	**(204.5)**
Interest rate swaps		*-*	*(4.2)*	*-*
Put option		*-*	*-*	*(204.5)*
Hedging derivative instruments		**-**	**(0.5)**	**-**
Interest rate swaps		*-*	*(0.5)*	*-*
Total		**-**	**(4.7)**	**(204.5)**

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

Assets measured at fair value

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

Liabilities measured at fair value

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

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

21. Important agreements and events

Cross-border merger

On 9 January 2018 the Extraordinary General Meeting of the Company adopted a resolution concerning the cross-border merger by acquisition of Cyfrowy Polsat (Acquiring Company) and Eileme 1 AB (Ceasing Company). The merger was completed by transferring all of the assets and liabilities of the Ceasing Company to the Acquiring Company and dissolving the Ceasing Company without liquidation. On 28 April 2018 the cross-border merger of Cyfrowy Polsat S.A. and Eileme 1 AB (publ) was registered. The surviving entity is Cyfrowy Polsat S.A.

Decision of the Head of the Małopolska Tax Office in Cracow

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

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

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

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow.

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

Decision of the Head of the Mazovian Tax Office in Warsaw

On 30 April 2018 the Director of the Revenue Administration Regional Office in Warsaw issued a decision upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw ("Tax Office") dated 25 May 2017. The Tax Office's decision dated 25 May 2017 determines 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. The Company informed about the decision in its financial statements for the year 2017.

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

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

Acquisition of shares

On 2 February 2018 Company's subsidiary acquired 15.46% of shares in TV Spektrum Sp. z o.o. for the amount of PLN 11.0

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

On 22 May 2018 purchase transactions of shares of Netia S.A. were concluded. After the Tender Offer Settlement Cyfrowy Polsat and Karswell Ltd. hold jointly 66% of the company's share capital representing 66% of the total number of votes at the company's general meeting. For detail please refer to note 16.

On 25 May 2018 Company's subsidiary acquired 50% plus one share in Eleven Sports Network Sp. z o.o. (see note 16).

On 29 May 2018 Company's subsidiary acquired 45.1% of shares in TVO Sp. z o.o. for the amount of PLN 4.5.

On 4 June 2018 Company's subsidiary acquired 100% share in Superstacja Sp. z o.o. (see note 16).

On 25 June 2018 Cyfrowy Polsat acquired 100% shares in Netshare Media Group Sp. z o.o. (see note 16).

Amendments and restatement deed to the facilities agreement

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

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

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

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

The legal dispute in respect to the telecommunication concession

There is a pending legal dispute in respect to the telecommunication concession for the 1800 MHz frequency granted in 2007 to Mobyland Sp. z o.o. (now Aero 2 Sp. z o.o.) and CenterNet S.A. (now Aero 2 Sp. z o.o.). Proceedings to invalidate the 1800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. Supreme Administrative Court (NSA), in its ruling dated 8 May 2014, sustained the decision of the Court of First Instance and repealed the decision issued by the President of the Office of Electronic Communications (UKE) on 23 September 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that "the decisions

regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation". UKE also stated that the 'reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies'. On 23 December 2016 President of UKE notified the parties that the tender annulment proceedings relating to the 1800 MHz frequency have been adopted. Pursuant to the decision dated 4 August 2017 President of UKE notified the parties that the tender dated 2007 has been annulled. On 13 October 2017 Aero 2 Sp. z o.o. (a successor of CenterNet S.A. and Mobyland Sp. z o.o.) filed a motion to reconsider the decision of the President of UKE dated 4 August 2017 concerning the annulment of the tender procedure. On 31 January 2018 the President of UKE upheld its decision dated 4 August 2017. On 7 March 2018 Aero2 filed a complaint with the Provincial Administrative Court in Warsaw. The case is awaiting the date of the hearing.
The decision issued by UKE President does not affect reservation decisions issued following the administrative tender. In accordance with President of UKE's press release, these reservation decisions remain valid and telecommunication operators may continue to provide their services based on these reservation decisions. In management's opinion this issue should have no negative impact on the results and financial condition of the Group. Accordingly, no valuation adjustment has been made in these consolidated financial statements.

Changes in shareholder structure

On 29 January 2018, Sensor Overseas Limited disposed of 21,041,375 shares of the Company, constituting 3.29% of the share capital and representing 5.14% of the total number of the votes at the General Meeting of the Company.

On 26 January 2018, Karswell Limited ("Karswell") disposed of 16,577,107 shares of the Company, constituting 2.59% of the share capital and representing 2.02% of the total number of the votes at the General Meeting of the Company. On 26 April 2018, Karswell disposed of 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company.

On 29 January 2018 Reddev Investements Limited ("Reddev") acquired 21,041,375 shares of the Company, constituting 3.29% of the share capital and representing 5.14% of the total number of the votes at the General Meeting of the Company. On 26 April 2018 Reddev acquired 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company.

22. Events subsequent to the reporting date

Acquisition of shares of Netia S.A.

On 2 July 2018 an amendment to the agreement on the joint acquisition of shares in a tender offer and preliminary share purchase agreement of 5 December 2017 was entered into with Karswell Ltd., which amends the acquirers' agreement in such way that the obligation of Cyfrowy Polsat to effect one-off acquisition of all the shares in Netia S.A. acquired by Karswell Ltd. under the tender offer was replaced by the obligation of Cyfrowy Polsat to acquire said shares in subsequent instalments.
On 3 July 2018 the Company purchased from Karswell Ltd. 17,331,023 shares in Netia S.A. for the total amount of PLN 100. Following the transaction Cyfrowy Polsat directly holds 48.48% of Netia's share capital.

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

23. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the SFA Agreement, Senior Notes and loans acquired upon acquisition of Litenite. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Commitments to purchase programming assets

As at 30 June 2018 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2018 unaudited	31 December 2017
within one year	400.6	192.6
between 1 to 5 years	705.0	612.1
more than 5 years	30.6	15.0
Total	**1,136.2**	**819.7**

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

	30 June 2018 unaudited	31 December 2017
within one year	11.9	0.2
Total	**11.9**	**0.2**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 313.6 as at 30 June 2018 (PLN 110.4 as at 31 December 2017). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 June 2018 was PLN 265.9 (PLN 272.5 as at 31 December 2017).

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.

Detailed description of the accounting estimates is presented in the annual consolidated financial statements. Detailed description of the accounting estimates relating to the implementation of the new standards is included in note 4.

Building a better working world

Ernst &Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1
00-124 Warszawa
Tel. +48 22 557 70 00
Faks +48 22 557 70 01
warszawa@pl.ey.com
www.ey.com/pl

Independent Auditor's Report on review of interim condensed financial statements

To the Shareholders and Supervisory Board of Cyfrowy Polsat S.A.

Introduction

We have reviewed the accompanying interim condensed financial statements of Cyfrowy Polsat S.A. (the 'Company') with registered office located in Warsaw, Łubinowa 4A as of 30 June 2018, including the interim balance sheet as at 30 June 2018, interim income statement, interim statement of comprehensive income, interim cash flow statement, interim statement of changes in equity for the period from 1 January 2018 to 30 June 2018 and notes to the interim condensed financial statements (the 'interim condensed financial statements').

The Company's Management is responsible for the preparation and presentation of the accompanying interim condensed financial statements in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Our responsibility is to express a conclusion on the accompanying interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with National Review Standard 2410 in the wording of the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('standard'), adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2041/37a/2018 of the National Council of Statutory Auditors of 5 March 2018 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Translation of auditor's report originally issued in Polish

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union.

Other matters

The financial statements for the prior financial year ended 31 December 2017 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who on 21 March 2018 issued an unqualified opinion on these financial statements.

Warsaw, 22 August 2018

Key Certified Auditor

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of
Ernst & Young Audyt Polska
spółka z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
no on audit firms list: 130

Translation of auditor's report originally issued in Polish

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 6 months ended 30 June 2018

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

Table of contents

APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 22 August 2018, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period from 1 January 2018 to 30 June 2018 showing a net profit for the period of:	PLN 329.1
Interim Statement of Comprehensive Income for the period from 1 January 2018 to 30 June 2018 showing a total comprehensive income for the period of:	PLN 328.7
Interim Balance Sheet as at 30 June 2018 showing total assets and total equity and liabilities of:	PLN 14,330.2
Interim Cash Flow Statement for the period from 1 January 2018 to 30 June 2018 showing a net increase in cash and cash equivalents amounting to:	PLN 5.3
Interim Statement of Changes in Equity for the period from 1 January 2018 to 30 June 2018 showing an increase in equity of:	PLN 378.5

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, 22 August 2018

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

Interim Income Statement

	Note	for the 3 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 3 months ended 30 June 2017 unaudited *(IAS 18 basis)*	for the 6 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 6 months ended 30 June 2017 unaudited *(IAS 18 basis)*
Revenue	7	581.1	565.1	1,164.8	1,122.9
Operating costs	8	(501.6)	(487.7)	(1,011.1)	(968.7)
Other operating income, net		1.2	0.7	2.5	3.1
Profit from operating activities		**80.7**	**78.1**	**156.2**	**157.3**
Gain on investment activities, net	9	235.0	407.3	250.7	419.0
Finance costs, net	10	(20.4)	(21.3)	(36.0)	(42.8)
Gross profit for the period		**295.3**	**464.1**	**370.9**	**533.5**
Income tax		(21.7)	(14.4)	(41.8)	(27.2)
Net profit for the period		**273.6**	**449.7**	**329.1**	**506.3**
Basic and diluted earnings per share (in PLN)		**0.42**	**0.70**	**0.51**	**0.79**

Interim Statement of Comprehensive Income

	for the 3 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 3 months ended 30 June 2017 unaudited *(IAS 18 basis)*	for the 6 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 6 months ended 30 June 2017 unaudited *(IAS 18 basis)*
Net profit for the period	**273.6**	**449.7**	**329.1**	**506.3**
Valuation of hedging instruments	0.0	(0.2)	(0.5)	(1.1)
Income tax relating to hedge valuation	0.0	0.0	0.1	0.2
Items that may be reclassified subsequently to profit or loss	**0.0**	**(0.2)**	**(0.4)**	**(0.9)**
Other comprehensive loss, net of tax	**0.0**	**(0.2)**	**(0.4)**	**(0.9)**
Total comprehensive income for the period	**273.6**	**449.5**	**328.7**	**505.4**

(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

	Note	30 June 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Reception equipment		327.2	357.9
Other property, plant and equipment		111.9	114.6
Goodwill		197.0	197.0
Other intangible assets		63.9	66.3
Investment property		35.4	36.3
Shares in subsidiaries and associates	18	12,762.7	12,125.5
includes shares in associate		-	*638.7*
Non-current deferred distribution fees		30.1	33.1
Other non-current assets		0.8	27.6
includes derivative instruments		*0.0*	*0.2*
Total non-current assets		**13,529.0**	**12,958.3**
Contract assets		176.5	-
Inventories		107.5	65.6
Trade and other receivables		335.5	273.9
Income tax receivables		0.3	0.8
Current deferred distribution fees		73.3	75.0
Other current assets		72.9	133.7
includes derivative instruments		*0.1*	*0.4*
Cash and cash equivalents		35.2	29.5
Total current assets		**801.2**	**578.5**
Total assets		**14,330.2**	**13,536.8**

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2018 unaudited *(IFRS 15 basis)*	31 December 2017 *(IAS 18 basis)*
Share capital	11	25.6	25.6
Share premium	11	7,174.0	7,174.0
Hedge valuation reserve	12	(0.3)	0.1
Retained earnings		4,091.6	3,712.7
Total equity		**11,290.9**	**10,912.4**
Loans and borrowings	13	675.7	535.0
Issued bonds	14	975.5	975.7
Finance lease liabilities		1.0	-
Deferred tax liabilities		102.2	83.4
Deferred income		-	3.2
Other non-current liabilities and provisions		1.4	1.4
includes derivative instruments		*0.1*	-
Total non-current liabilities		**1,755.8**	**1,598.7**
Loans and borrowings	13	239.9	379.9
Issued bonds	14	42.4	42.5
Finance lease liabilities		0.2	-
Contract liabilities		238.7	-
Trade and other payables		745.9	351.5
includes derivative instruments		*0.4*	*0.5*
Income tax liability		13.8	19.5
Deposits for equipment		2.6	2.4
Deferred income		-	229.9
Total current liabilities		**1,283.5**	**1,025.7**
Total liabilities		**3,039.3**	**2,624.4**
Total equity and liabilities		**14,330.2**	**13,536.8**

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

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2018 unaudited *(IFRS 15 basis)*	for the 6 months ended 30 June 2017 unaudited *(IAS 18 basis)*
Net profit		**329.1**	**506.3**
Adjustments for:		**(129.2)**	**(345.2)**
Depreciation, amortization, impairment and liquidation	8	99.0	109.2
Interest expense		37.2	36.9
Change in inventories		(41.9)	(15.5)
Change in receivables and other assets		(360.5)	59.1
Change in liabilities, provisions and deferred income		396.9	(65.6)
Change in contract assets		(10.7)	-
Change in contract liabilities		12.2	-
Income tax		41.8	27.2
Net increase in reception equipment provided under operating lease		(48.0)	(75.9)
Dividends income and share in the profits of partnerships	9	(250.7)	(417.5)
Other adjustments		(4.5)	(3.1)
Cash from operating activities		**199.9**	**161.1**
Income tax paid		(39.4)	(25.6)
Interest received from operating activities		0.2	2.7
Net cash from operating activities		**160.7**	**138.2**
Received dividends and shares in the profits of partnerships		91.8	15.3
Merger with related entities		4.0	53.8
Acquisition of property, plant and equipment		(8.4)	(6.6)
Acquisition of intangible assets		(8.1)	(6.4)
Acquisition of shares in subsidiaries		(200.0)	-
Share capital increase in subsidiary		(2.1)	-
Proceeds from sale of property, plant and equipment		0.2	6.1
Net cash (used in)/from investing activities		**(122.6)**	**62.2**
Net cash from the Cash Management System Agreement with interest paid		4.2	-
Payment of interest on loans, borrowings, bonds and commissions*		(37.0)	(37.8)
Repayment of loans and borrowings	13	-	(101.0)
Net cash used in financing activities		**(32.8)**	**(138.8)**
Net increase in cash and cash equivalents		**5.3**	**61.6**
Cash and cash equivalents at the beginning of period		**29.5**	**278.8**
Effect of exchange rate fluctuations on cash and cash equivalents		0.4	(0.1)
Cash and cash equivalents at the end of period		**35.2**	**340.3**

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

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

Interim Statement of Changes in Equity for the 6 months ended 30 June 2018

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 31 grudnia 2017	**25.6**	**7,174.0**	**0.1**	**3,712.7**	**10,912.4**
Impact of the implementation of IFRS 15	-	-	-	49.8	**49.8**
Balance as at 1 January 2018	**25.6**	**7,174.0**	**0.1**	**3,762.5**	**10,962.2**
Total comprehensive income	-	-	(0.4)	329.1	**328.7**
Hedge valuation reserve	-	-	*(0.4)*	-	**(0.4)**
Net profit for the period	-	-	-	329.1	**329.1**
Balance as at 30 June 2018 unaudited	**25.6**	**7,174.0**	**(0.3)**	**4,091.6**	**11,290.9**

* 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 Statement of Changes in Equity for the 6 months ended 30 June 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	-	-	-	(204.7)	**(204.7)**
Total comprehensive income	-	-	(0.9)	506.3	**505.4**
Hedge valuation reserve	-	-	*(0.9)*	-	**(0.9)**
Net profit for the period	-	-	-	506.3	**506.3**
Balance as at 30 June 2017 unaudited	**25.6**	**7,174.0**	**0.3**	**3,613.0**	**10,812.9**

* 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.

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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 28 April 2018 the cross-border merger of Cyfrowy Polsat S.A. and Eileme 1 AB (publ) was registered.
On 22 May 2018 the tender offer settlement for the sale of shares in Netia S.A. ('Netia') have been settled – as a result of the tender offer settlement Cyfrowy Polsat holds 43,33% of the share capital of Netia as at 30 June 2018 (prior to the tender offer settlement the Company held 33% of the share capital of Netia) and Karswell Limited holds 22,67% of the share capital of Netia (prior to the tender offer settlement Karswell Limited held no shares in Netia). According to agreement signed between Cyfrowy Polsat and Karswell Limited ('Karswell') on 5 December 2017, Cyfrowy Polsat controls 66% of votes at the general meeting of Netia since 22 May 2018.
On 25 June 2018 Cyfrowy Polsat acquired 100% shares in Netshare Media Group Sp. z o.o.
As at 30 June 2018, the Group encompasses the Company, Polkomtel Sp. z o.o. and its subsidiaries and joint ventures, Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Netia S.A. and its subsidiaries, 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., Orsen Holding Limited and its subsidiaries and Netshare Media Group Sp. z o.o.

2. Composition of the Management Board of the Company

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

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3. Composition of the Supervisory Board of the Company

- Marek Kapuściński	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Tomasz Szeląg	Member of the Supervisory Board,
- Piotr Żak	Member of the Supervisory Board (from 28 June 2018).

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 6 months ended 30 June 2018 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS EU). These interim condensed financial statements have been prepared on a going concern basis.

The Company as the Parent Company prepared the interim condensed consolidated financial statements (approved on 22 August 2018). These interim condensed financial statements should be read together with the interim condensed consolidated financial statements.

The Company applies, for the first time, IFRS 15 Revenue from Contracts with Customers ("IFRS 15") and IFRS 9 Financial Instruments ("IFRS 9"). As required in IAS 34 Interim Financial Reporting, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have material impact on the interim condensed financial statements of the Company.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new, amended Standards or Interpretations that apply to the annual reporting periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments

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

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

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

IFRS 9 replaced the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. Implementation of the forward-looking model did not have a significant effect on the Company's bad debt allowance.

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

Earlier revenue recognition resulted in the recognition of contract assets in the balance sheet representing the Company's right to future remuneration for the products and serviced provided to the customer. The contract assets are presented as current assets as the Company expects the contracts to be fulfilled within a normal operating cycle.

The implementation of IFRS 15 resulted in a recognition of contract liabilities in the balance sheet. Contract liabilities represent the Company's obligation to transfer goods or services to customers, for which the Company received consideration or an amount of the consideration is due from the customer.

The Company has not identified any material rights in the contracts which should have been separately presented as Company's obligations.

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

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

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

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

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

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	1 January 2018 unaudited in accordance with IAS 18	Adjustments	1 January 2018 unaudited in accordance with IFRS 15
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	0.1	-	0.1
Retained earnings	3,712.7	49.8	3,762.5
Total equity	**10,912.4**	**49.8**	**10,962.2**
Loans and borrowings	535.0	-	535.0
Issued bonds	975.7	-	975.7
Deferred tax liabilities	83.4	11.6	95.0
Deferred income	3.2	(3.2)	-
Other non-current liabilities and provisions	1.4	-	1.4
Total non-current liabilities	**1,598.7**	**8.4**	**1,607.1**
Loans and borrowings	379.9	-	379.9
Issued bonds	42.5	-	42.5
Contract liabilities	-	226.5	226.5
Trade and other payables	351.5	-	351.5
includes derivative instruments	*0.5*	-	*0.5*
Income tax liability	19.5	-	19.5
Deposits for equipment	2.4	-	2.4
Deferred income	229.9	(229.9)	-
Total current liabilities	**1,025.7**	**(3.4)**	**1,022.3**
Total liabilities	**2,624.4**	**5.0**	**2,629.4**
Total equity and liabilities	**13,536.8**	**54.8**	**13,591.6**

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

	for the 6 months ended		
	30 June 2018 unaudited prepared in accordance with IAS 18	**Adjustments**	**30 June 2018 unaudited prepared in accordance with IFRS 15**
Revenue	**1,167.0**	**(2.2)**	**1,164.8**
Retail revenue	1,082.6	(1.8)	1,080.8
Wholesale revenue	46.6	-	46.6
Sale of equipment	13.8	(0.4)	13.4
Other revenue	24.0	-	24.0
Operating cost	**(1,011.1)**	**-**	**(1,011.1)**
Content costs	(303.3)	-	(303.3)
Technical costs and cost of settlements with telecommunication operators	(325.9)	-	(325.9)
Distribution, marketing, customer relation management and retention costs	(146.1)	-	(146.1)
Depreciation, amortization, impairment and liquidation	(99.0)	-	(99.0)
Salaries and employee-related costs	(54.7)	-	(54.7)
Cost of equipment sold	(14.7)	-	(14.7)
Cost of debt collection services, bad debt allowance and receivables written off	(6.1)	-	(6.1)
Other costs	(61.3)	-	(61.3)
Other operating income, net	**2.5**	**-**	**2.5**
Profit from operating activities	**158.4**	**(2.2)**	**156.2**
Gain on investment activities, net	250.7	-	250.7
Finance costs, net	(36.0)	-	(36.0)
Gross profit for the period	**373.1**	**(2.2)**	**370.9**
Income tax	(42.2)	0.4	(41.8)
Net profit for the period	**330.9**	**(1.8)**	**329.1**

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

	30 June 2018 unaudited in accordance with IAS 18	**Adjustments**	**30 June 2018 unaudited in accordance with IFRS 15**
Reception equipment	327.2	-	327.2
Other property, plant and equipment	111.9	-	111.9
Goodwill	197.0	-	197.0
Other intangible assets	63.9	-	63.9
Investment property	35.4	-	35.4
Shares in subsidiaries and associates	12,762.7	-	12,762.7
Non-current deferred distribution fees	30.1	-	30.1
Other non-current assets	25.5	(24.7)	0.8
Total non-current assets	**13,553.7**	**(24.7)**	**13,529.0**
Contract assets	-	176.5	176.5
Inventories	107.5	-	107.5
Trade and other receivables	432.3	(96.8)	335.5
Income tax receivable	0.3		0.3
Current deferred distribution fees	73.3	-	73.3
Other current assets	72.9	-	72.9
includes derivative instruments assets	*0.1*	-	*0.1*
Cash and cash equivalents	35.2	-	35.2
Total current assets	**721.5**	**79.7**	**801.2**
Total assets	**14,275.2**	**55.0**	**14,330.2**

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

	30 June 2018 unaudited in accordance with IAS 18	Adjustments	30 June 2018 unaudited in accordance with IFRS 15
Share capital	25.6	-	25.6
Share premium	7,174.0	-	7,174.0
Hedge valuation reserve	(0.3)	-	(0.3)
Retained earnings	4,043.6	48.0	4,091.6
Total equity	**11,242.9**	**48.0**	**11,290.9**
Loans and borrowings	675.7	-	675.7
Issued bonds	975.5	-	975.5
Finance lease liabilities	1.0	-	1.0
Deferred tax liabilities	91.0	11.2	102.2
Deferred income	2.3	(2.3)	-
Other non-current liabilities and provisions	1.4	-	1.4
includes derivative instruments	*0.1*	-	*0.1*
Total non-current liabilities	**1,746.9**	**8.9**	**1,755.8**
Loans and borrowings	239.9	-	239.9
Issued bonds	42.4	-	42.4
Finance lease liabilities	0.2	-	0.2
Contract liabilities	-	238.7	238.7
Trade and other payables	745.9	-	745.9
includes derivative instruments	*0.4*	-	*0.4*
Income tax liability	13.8	-	13.8
Deposits for equipment	2.6	-	2.6
Deferred income	240.6	(240.6)	-
Total current liabilities	**1,285.4**	**(1.9)**	**1,283.5**
Total liabilities	**3,032.3**	**7.0**	**3,039.3**
Total equity and liabilities	**14,275.2**	**55.0**	**14,330.2**

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

	for the 6 months ended		
	30 June 2018 unaudited in accordance with IAS 18	**Adjustments**	**30 June 2018 unaudited in accordance with IFRS 15**
Net profit	**330.9**	**(1.8)**	**329.1**
Adjustments for:	**(131.0)**	**1.8**	**(129.2)**
Depreciation, amortization, impairment and liquidation	99.0	-	99.0
Interest expense	37.2	-	37.2
Change in inventories	(41.9)	-	(41.9)
Change in receivables and other assets	(371.0)	10.5	(360.5)
Change in liabilities, provisions and deferred income	406.7	(9.8)	396.9
Change in contract assets	-	(10.7)	(10.7)
Change in contract liabilities	-	12.2	12.2
Income tax	42.2	(0.4)	41.8
Net increase in reception equipment provided under operating lease	(48.0)	-	(48.0)
Dividends income and share in the profits of partnerships	(250.7)	-	(250.7)
Other adjustments	(4.5)	-	(4.5)
Cash from operating activities	**199.9**	**-**	**199.9**
Income tax paid	(39.4)	-	(39.4)
Interest received from operating activities	0.2	-	0.2
Net cash from operating activities	**160.7**	**-**	**160.7**
Received dividends and shares in the profits of partnerships	91.8	-	91.8
Merger with related entities	4.0	-	4.0
Acquisition of property, plant and equipment	(8.4)		(8.4)
Acquisition of intangible assets	(8.1)	-	(8.1)
Acquisition of shares in subsidiaries	(200.0)		(200.0)
Share capital increase in subsidiary	(2.1)		(2.1)
Proceeds from sale of property, plant and equipment	0.2	-	0.2
Net cash used in investing activities	**(122.6)**	**-**	**(122.6)**
Net cash from the Cash Management System Agreement with interest paid	4.2	-	4.2
Payment of interest on loans, borrowings, bonds and commissions*	(37.0)	-	(37.0)
Net cash used in financing activities	**(32.8)**	**-**	**(32.8)**
Net increase in cash and cash equivalents	**5.3**	**-**	**5.3**
Cash and cash equivalents at the beginning of period	**29.5**	**-**	**29.5**
Effect of exchange rate fluctuations on cash and cash equivalents	0.4	-	0.4
Cash and cash equivalents at the end of period	**35.2**	**-**	**35.2**

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

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

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 22 August 2018.

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 6 months ended	
	30 June 2018 unaudited *(IFRS 15 basis)*	**30 June 2017 unaudited** *(IAS 18 basis)*	**30 June 2018 unaudited** *(IFRS 15 basis)*	**30 June 2017 unaudited** *(IAS 18 basis)*
Retail revenue	539.5	533.7	1,080.8	1,057.1
Wholesale revenue	24.7	17.4	46.6	31.6
Sale of equipment	5.0	3.4	13.4	12.4
Other revenue	11.9	10.6	24.0	21.8
Total	**581.1**	**565.1**	**1,164.8**	**1,122.9**

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 6 months ended	
	Note	**30 June 2018 unaudited**	**30 June 2017 unaudited**	**30 June 2018 unaudited**	**30 June 2017 unaudited**
Content costs		153.1	151.2	303.3	294.5
Technical costs and costs of settlements with mobile network operators		163.2	138.1	325.9	272.9
Distribution, marketing, customer relation management and retention costs		72.9	78.2	146.1	157.4
Depreciation, amortization, impairment and liquidation		48.1	54.4	99.0	109.2
Salaries and employee-related costs	a)	27.1	26.7	54.7	50.7
Cost of equipment sold		5.2	4.9	14.7	13.1
Cost of debt collection services and bad debt allowance and receivables written off		1.8	3.4	6.1	6.2
Other costs		30.2	30.8	61.3	64.7
Total		**501.6**	**487.7**	**1,011.1**	**968.7**

(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 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited	30 June 2018 unaudited	30 June 2017 unaudited
Salaries	22.0	22.4	44.7	41.7
Social security contributions	3.6	3.6	7.7	7.6
Other employee-related costs	1.5	0.7	2.3	1.4
Total	**27.1**	**26.7**	**54.7**	**50.7**

9. Gain on investment activities, net

	for the 3 months ended		for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited	30 June 2018 unaudited	30 June 2017 unaudited
Dividends	219.8	387.4	219.8	387.4
Share in the profits of partnerships	17.3	17.9	30.9	30.1
Other	(2.1)	2.0	-	1.5
Total	**235.0**	**407.3**	**250.7**	**419.0**

10. Finance costs, net

	for the 3 months ended		for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited	30 June 2018 unaudited	30 June 2017 unaudited
Interest expense on loans and borrowings	8.1	8.9	15.9	18.1
Interest expense on issued bonds	10.8	10.9	21.4	21.5
Valuation and realization of hedging instruments	-	(0.1)	-	(0.2)
Cumulative catch-up	-	-	(4.2)	-
Guarantee fees	1.2	1.3	2.4	2.6
Bank and other charges	0.3	0.3	0.5	0.8
Total	**20.4**	**21.3**	**36.0**	**42.8**

(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 June 2018 and 31 December 2017:

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

The shareholders' structure as at 30 June 2018 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Reddev Investments Ltd. [1]	298,656,832	12.0	46.70%	472,203,083	57.66%
Embud 2 Sp. z o.o. S.K.A. [2]	58,000,000	2.3	9.07%	58,000,000	7.08%
Karswell Ltd. [2]	10,000,000	0.4	1.56%	10,000,000	1.22%
Argumenol Investment Company Ltd. [2]	63,948	0.0	0.01%	63,948	0.01%
Others	272,825,236	10.9	42.66%	278,696,486	34.03%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

The shareholders' structure as at 31 December 2017 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Sensor Overseas Ltd. [3]	55,092,796	2.3	8.61%	82,005,421	10.01%
Embud 2 Sp. z o.o. S.K.A.[1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Others	214,196,708	8.5	33.50%	214,196,708	26.16%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

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

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

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

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

(ii) Share premium

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

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2018	2017
Balance as at 1 January	**0.1**	**1.2**
Valuation of cash flow hedges	(0.5)	(1.1)
Deferred tax	0.1	0.2
Change for the period	**(0.4)**	**(0.9)**
Balance as at 30 June unaudited	**(0.3)**	**0.3**

13. Loans and borrowings

Loans and borrowings	**30 June 2018 unaudited**	**31 December 2017**
Short-term liabilities	239.9	379.9
Long-term liabilities	675.7	535.0
Total	**915.6**	**914.9**

Change in loans and borrowings liabilities:

	2018	2017
Loans and borrowings as at 1 January	**914.9**	**1,021.1**
Repayment of capital	-	(101.0)
Repayment of interest and commissions	(16.3)	(16.3)
Net cash from the Cash Management System Agreement	5.3	-
Cumulative catch-up	(4.2)	-
Interest accrued	15.9	18.1
Loans and borrowings as at 30 June unaudited	**915.6**	**921.9**

On 2 March 2018 the Company entered into an amendments and restatement deed to the facilities agreement (see note 18 for details).

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

14. Issued Bonds

	30 June 2018 unaudited	31 December 2017
Short-term liabilities	42.4	42.5
Long-term liabilities	975.5	975.7
Total	**1,017.9**	**1,018.2**

Change in issued bonds:

	2018	2017
Issued bonds payable as at 1 January	**1,018.2**	**1,017.9**
Repayment of interest and commissions	(21.7)	(21.6)
Interest accrued	21.4	21.5
Issued bonds payable as at 30 June unaudited	**1,017.9**	**1,017.8**

15. Transactions with related parties

Receivables

	30 June 2018 unaudited	31 December 2017
Subsidiaries	202.6	53.3
Joint ventures	0.3	0.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	0.6	1.0
Total	**203.5**	**54.7**

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

Other assets

	30 June 2018 unaudited	31 December 2017
Subsidiaries	68.9	131.4
Total	**68.9**	**131.4**

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

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

Liabilites

	30 June 2018 unaudited	31 December 2017
Subsidiaries	88.0	113.4
Joint ventures	0.4	0.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	443.7	5.7
Total	**532.1**	**119.5**

A significant portion of liabilities is represented by labilities related to the agreement on the acquisition of Netia, concluded between the Company and Karswell (please refer to note 16 in the interim condensed consolidated financial statements), Polkomtel services, programming licence fees, commissions on sales and fees for using "Cyfrowy Polsat" trade mark.

Loans granted

	30 June 2018 unaudited	31 December 2017
Subsidiaries	1.8	2.3
Total	**1.8**	**2.3**

Revenues

	for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited
Subsidiaries	47.0	40.9
Joint ventures	-	0.1
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.3	0.4
Total	**48.3**	**41.4**

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

Expenses

	for the 6 months ended	
	30 June 2018 unaudited	30 June 2017 unaudited
Subsidiaries	440.6	405.2
Joint ventures	0.1	-
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	11.6	11.1
Total	**452.3**	**416.3**

The most significant transactions include data transfer services.

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

Gain on investment activities, net

	for the 6 months ended	
	30 June 2018 unaudited	**30 June 2017 unaudited**
Subsidiaries	254.1	420.8
Joint ventures	-	0.3
Total	**254.1**	**421.1**

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 6 months ended	
	30 June 2018 unaudited	**30 June 2017 unaudited**
Subsidiaries	2.3	2.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	2.4	-
Total	**4.7**	**2.6**

Finance costs comprise mostly of guarantee fees in respect to the term facilities and finance costs related to the agreement on the acquisition of Netia, concluded between the Company and Karswell.

Other notes

16. Litigations

Management believes that the provisions for litigations as at 30 June 2018 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

On 28 April 2017, ZASP filed a lawsuit against Cyfrowy Polsat for payment of PLN 20.3. The Company issued an objection in the writ-of-payment proceedings and filed for its dismissal entirety. On 10 January 2018 the Court issued a decision to refer the case to mediation proceedings. Mediation ended without a settlement. Date of hearing was scheduled for 14 November 2018.

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

17. Risk and fair value

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

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. These interim condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended as at 31 December 2017. There have been no significant changes in any risk management policies since the end of year 2017.

Liquidity risk

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

Fair value

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

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

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

			30 June 2018 unaudited *(IFRS 15 basis)*		**31 December 2017** *(IAS 18 basis)*	
	Category according to IFRS 9	**Level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	2.0	2.0	2.5	2.5
Trade and other receivables	A	*	300.3	300.3	278.1	278.1
Contract assets	A	*	176.5	176.5	-	-
Cash and cash equivalents	A	*	35.2	35.2	29.5	29.5
Loans and borrowings	B	2	(921.7)	(915.6)	(918.7)	(914.9)
Issued bonds	B	1	(1,039.3)	(1,017.9)	(1,036.7)	(1,018.2)
Lease liability	B	2	(1.2)	(1.2)	-	-
Accruals	B	*	(110.6)	(110.6)	(157.7)	(157.7)
Trade and other payables and deposits[1]	B	*	(611.9)	(611.9)	(168.9)	(168.9)
Total			**(2,170.7)**	**(2,143.2)**	**(1,971.9)**	**(1,949.6)**
Unrecognized loss				**(27.5)**		**(22.3)**

A – Assets subsequently measured at amortised cost

B – Liabilities subsequently measured at amortised cost

* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

[1] Includes payables due to Karswell Ltd. in amount of PLN 441.1 relating to the planned purchase of Netia's shares as pursuant to the agreement entered into between Cyfrowy Polsat and Karswell Ltd.

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 June 2018 and 31 December 2017 loans and borrowings comprised term facility loan and cash from the Cash Management System Agreement with interest paid. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Company's credit risk. When determining the fair value of senior facility as at 30 June 2018, forecasted cash flows from the reporting date to 30 September 2022 (assumed date of repayment of the loan) were analyzed. When determining the fair value of senior facility as at 31 December 2017, forecasted cash flows from the reporting date to 21 September 2020 (assumed as at 31 December 2017 date of repayment of the loan) were analyzed. The fair value of the Cash Management System Agreement is set as the nominal value, which is equal to carrying amount.

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

The fair value of bonds as at 30 June 2018 and 31 December 2017 is calculated based on the last bid price as at the balance sheet date as quoted on the Catalyst market.

As at 30 June 2018, the Company held the following financial instruments measured at fair value:

Assets measured at fair value

	30 June 2018 unaudited	Level 1	Level 2	Level 3
IRS		-	0.1	-
Total		**-**	**0.1**	**-**

Liabilities measured at fair value

	30 June 2018 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 interest rates. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

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

Assets measured at fair value

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

Liabilities measured at fair value

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

18. Important agreements and events

Cross-border merger

On 9 January 2018 the Extraordinary General Meeting of the Company adopted a resolution concerning the cross-border merger by acquisition of Cyfrowy Polsat (Acquiring Company) and Eileme 1 AB (Ceasing Company). The merger was completed by transferring all of the assets and liabilities of the Ceasing Company to the Acquiring Company and dissolving the Ceasing Company without liquidation. On 28 April 2018 the cross-border merger of Cyfrowy Polsat S.A. and Eileme 1 AB (publ) was registered. The surviving entity is Cyfrowy Polsat S.A.

Amendments and restatement deed to the facilities agreement

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

Decision of the Head of the Mazovian Tax Office in Warsaw

On 30 April 2018 the Director of the Revenue Administration Regional Office in Warsaw issued a decision upholding the appealed decision of the Head of the Mazovian Tax Office in Warsaw ("Tax Office") dated 25 May 2017. The Tax Office's decision dated 25 May 2017 determines 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. The Company informed about the decision in its financial statements for the year 2017.

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

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

Decision of the Head of the Małopolska Tax Office in Cracow

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

In the issued decision the Tax Office contested the Company's right to an exemption from the obligation to withhold income tax on certain interest payments in 2012. The Company appealed against the decision of the Tax Authority on the basis of acquired opinions issued by renowned entities. The Company has not created any provisions encumbering its financial results.

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

On 10 July 2018 the Tax Office upheld the previous decision dated 15 February 2018. The Company does not agree with the decision of the Tax Office in question and appealed against it to the Voivodship Administrative Court in Cracow.

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

Acquisition of shares of Netia S.A.

The subscription for the shares of Netia S.A. under the tender offer to place subscriptions for the sale of shares of Netia S.A. as announced by Cyfrowy Polsat on 5 December 2017 ("Tender Offer"), was terminated on 14 May 2018. On 22 May 2018 the Tender Offer Settlement has been completed resulting in:

(i) Cyfrowy Polsat acquired 34,662,045 shares of Netia S.A. constituting in total 10.33% of the company's share capital and carrying the right to 34,662,045 votes at the company's general meeting as well as representing 10.33% of the total number of votes at the company's general meeting;
(ii) Karswell Ltd acquired 76,040,399 shares of Netia S.A. constituting in total 22.67% of the company's share capital and carrying the right to 76,040,399 votes at the company's general meeting as well as representing 22.67% of the total number of votes at the company's general meeting;
(iii) Cyfrowy Polsat and Karswell Ltd., which entered into an agreement, acquired jointly 110,702,444 shares in Netia S.A. constituting in total 33% of the company's share capital and carrying the right to 110,702,444 votes at the company's general meeting.

Directly prior to the Tender Offer Settlement, Cyfrowy Polsat held directly 110,702,441 shares in Netia S.A. constituting in total 33% of the company's share capital and carrying the right to 110,702,441 votes at the company's general meeting as well as representing 33% of the total number of votes at the company's general meeting.

After the Tender Offer Settlement Cyfrowy Polsat and Karswell Ltd. hold jointly 221,404,885 shares of Netia S.A. constituting in total 66% of the company's share capital and carrying the right to the total of 221,404,885 votes at the company's general meeting as well as representing 66% of the total number of votes at the company's general meeting.

Pursuant to the agreement entered into on 5 December 2017, Karswell shall sell all the shares to the Company acquired for the price paid by Karswell for shares under the tender offer. Karswell shall receive an additional premium for the period between the settlement date on which Karswell acquired the last share under the tender offer and a date on which the shares acquired by Karswell under the tender offer will be sold to the Company (the "Interim Period") in an amount equivalent to the average weighted cost of financing of the Company's capital group provided by financial institutions, prorated to the specific portion of the price paid by Karswell for shares under the tender offer for each day of the Interim Period. Additionally, during the Interim Period Karswell shall exercise the voting rights attached to the Netia shares acquired in the Tender Offer as instructed by the Company. As at 30 June 2018 Cyfrowy Polsat presents liability due to Karswell in Trade and other payables.

Changes in shareholder structure

On 29 January 2018, Sensor Overseas Limited disposed of 21,041,375 shares of the Company, constituting 3.29% of the share capital and representing 5.14% of the total number of the votes at the General Meeting of the Company.

On 26 January 2018, Karswell Limited ("Karswell") disposed of 16,577,107 shares of the Company, constituting 2.59% of the share capital and representing 2.02% of the total number of the votes at the General Meeting of the Company. On 26 April 2018, Karswell disposed of 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company.

On 29 January 2018 Reddev Investements Limited ("Reddev") acquired 21,041,375 shares of the Company, constituting 3.29% of the share capital and representing 5.14% of the total number of the votes at the General Meeting of the Company. On 26 April 2018 Reddev acquired 123,411,161 shares of the Company, constituting 19.30% of the share capital and representing 15.07% of the total number of the votes at the General Meeting of the Company.

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 and surety 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 3.0 as at 30 June 2018 (PLN 0.4 as at 31 December 2017). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 30 June 2018 was PLN 0.7 (PLN 0.3 as at 31 December 2017).

Contractual liabilities related to purchase of data transfer services

Total amount of capital commitments resulting from agreements on data transfer services as at 30 June 2018 was PLN 176.6 (PLN 353.2 as at 31 December 2017).

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

Acquisition of shares of Netia S.A.

On 2 July 2018 an amendment to the agreement on the joint acquisition of shares in a tender offer and preliminary share purchase agreement of 5 December 2017 was entered into with Karswell Ltd., which amends the acquirers' agreement in such way that the obligation of Cyfrowy Polsat to effect one-off acquisition of all the shares in Netia S.A. acquired by Karswell Ltd. under the tender offer was replaced by the obligation of Cyfrowy Polsat to acquire said shares in subsequent instalments.
On 3 July 2018 the Company purchased from Karswell Ltd. 17,331,023 shares in Netia S.A. for the total amount of PLN 100. Following the transaction Cyfrowy Polsat directly holds 48,48% of Netia's share capital.

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.

Detailed description of the accounting estimates is presented in the annual financial statements. Detailed description of the accounting estimates relating to the implementation of the new standards is included in note 4.