CYFROWY POLSAT S.A. GROUP

Consolidated Financial Statements
for the year ended 31 December 2016

Prepared in accordance
with International Financial Reporting Standards
as adopted by European Union

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APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

On 15 March 2017, the Management Board of Cyfrowy Polsat S.A. approved the consolidated financial statements of Cyfrowy Polsat S.A. Group prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which include:

Consolidated Income Statement for the period	
from 1 January 2016 to 31 December 2016 showing a net profit for the period of:	PLN 1,021.0
Consolidated Statement of Comprehensive Income for the period	
from 1 January 2016 to 31 December 2016 showing a total comprehensive income for the period of:	PLN 1,029.2
Consolidated Balance Sheet as at	
31 December 2016 showing total assets and total equity and liabilities of:	PLN 27,729.3
Consolidated Cash Flow Statement for the period	
from 1 January 2016 to 31 December 2016 showing a net decrease in cash and cash equivalents amounting to:	PLN (189.5)
Consolidated Statement of Changes in Equity for the period	
from 1 January 2016 to 31 December 2016 showing an increase in equity of:	PLN 1,127.5

Notes to the Consolidated Financial Statements

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

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

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

Warsaw, 15 March 2017

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

Consolidated Income Statement

		for the year ended	
	Note	**31 December 2016**	**31 December 2015**
Continuing operations			
Revenue	9	9,729.8	9,823.0
Operating costs	10	(8,069.3)	(7,867.9)
Other operating income, net		8.8	30.7
Profit from operating activities		**1,669.3**	**1,985.8**
Gain/loss on investment activities, net	11	(69.8)	8.6
Finance costs	12	(566.1)	(664.6)
Share of the profit of joint venture accounted for using the equity method		-	2.6
Gross profit for the period		**1,033.4**	**1,332.4**
Income tax	13	(12.4)	(169.0)
Net profit for the period		**1,021.0**	**1,163.4**
Net profit attributable to equity holders of the Parent		1,041.3	1,163.4
Net loss attributable to non-controlling interest		(20.3)	-
Basic and diluted earnings per share (in PLN)	15	**1.60**	**1.82**

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

Consolidated Statement of Comprehensive Income

		for the year ended	
	Note	**31 December 2016**	**31 December 2015**
Net profit for the period		**1,021.0**	**1,163.4**
Items that may not be reclassified subsequently to profit or loss:		***0.3***	***3.0***
Actuarial gain		0.3	3.0
Items that may be reclassified subsequently to profit or loss:		***7.9***	***5.5***
Valuation of hedging instruments	29	9.8	6.6
Income tax relating to hedge valuation	29	(1.9)	(1.1)
Items that may be reclassified subsequently to profit or loss		**8.2**	**8.5**
Other comprehensive income, net of tax		**8.2**	**8.5**
Total comprehensive income for the period		**1,029.2**	**1,171.9**
Total comprehensive income attributable to equity holders of the Parent		1,049.5	1,171.9
Total comprehensive income attributable to non-controlling interest		(20.3)	-

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

Consolidated Balance Sheet - Assets

	Note	31 December 2016	31 December 2015
Reception equipment	16	350.9	371.0
Other property, plant and equipment	16	2,964.3	2,548.6
Goodwill	17	10,975.4	10,606.4
Customer relationships	20	3,031.2	3,638.5
Brands	18	2,056.5	2,080.6
Other intangible assets	20	3,656.2	2,422.2
Non-current programming assets	21	151.8	145.0
Investment property		5.1	5.2
Non-current deferred distribution fees	22	82.8	83.3
Other non-current assets	23	452.0	272.8
includes derivative instruments		*9.5*	*6.9*
Deferred tax assets	13	232.7	87.6
Total non-current assets		**23,958.9**	**22,261.2**
Current programming assets	21	192.0	192.2
Inventories	24	278.7	281.0
Trade and other receivables	25	1,688.0	1,619.1
Income tax receivable		29.1	0.7
Current deferred distribution fees	22	207.2	212.7
Other current assets	26	38.7	399.5
includes derivative instruments		*6.7*	*10.5*
Cash and cash equivalents	27	1,326.0	1,512.0
Restricted cash	27	10.7	11.7
Total current assets		**3,770.4**	**4,228.9**
Total assets		**27,729.3**	**26,490.1**

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

Consolidated Balance Sheet - Equity and Liabilities

	Note	31 December 2016	31 December 2015
Share capital	28	25.6	25.6
Share premium	28	7,174.0	7,174.0
Other reserves	29	4.5	(3.7)
Retained earnings		4,095.5	3,054.2
Equity attributable to equity holders of the Parent		**11,299.6**	**10,250.1**
Non-controlling interests		78.0	**-**
Total equity		**11,377.6**	**10,250.1**
Loans and borrowings	30	9,302.7	5,379.8
Issued bonds	31	1,835.7	975.3
Finance lease liabilities	32	20.9	20.9
UMTS license liabilities	33	574.0	652.8
Deferred tax liabilities	13	786.9	615.8
Deferred income	36	20.1	4.7
Other non-current liabilities and provisions	34	130.2	124.2
Total non-current liabilities		**12,670.5**	**7,773.5**
Loans and borrowings	30	1,270.0	1,230.9
Issued bonds	31	42.4	4,776.7
Finance lease liabilities	32	5.0	4.3
UMTS license liabilities	33	121.5	117.0
Trade and other payables	35	1,569.5	1,485.4
includes derivative instruments		-	*72.9*
Income tax liability		24.9	176.1
Deferred income	36	647.9	676.1
Total current liabilities		**3,681.2**	**8,466.5**
Total liabilities		**16,351.7**	**16,240.0**
Total equity and liabilities		**27,729.3**	**26,490.1**

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Consolidated Cash Flow Statement

		for the year ended	
	Note	**31 December 2016**	**31 December 2015**
Net profit		**1,021.0**	**1,163.4**
Adjustments for:		**2,130.5**	**1,821.7**
Depreciation, amortization, impairment and liquidation	10	1,971.5	1,699.3
Payments for film licenses and sports rights		(246.5)	(238.1)
Amortization of film licenses and sports rights		230.7	212.6
Interest expense		541.9	763.6
Change in inventories		3.0	26.4
Change in receivables and other assets		(329.9)	(478.2)
Change in liabilities, provisions and deferred income		(33.3)	(118.0)
Change in internal production and advance payments		(6.1)	(3.9)
Valuation of hedging instruments		9.8	6.6
Foreign exchange losses, net		270.9	222.0
Income tax	13	12.4	169.0
Net additions of reception equipment provided under operating lease		(153.0)	(134.7)
Cumulative catch-up and early redemption costs	31	-	(371.4)
(Profit)/net loss on derivatives		(164.9)	53.0
Other adjustments		24.0	13.5
Cash from operating activities		**3,151.5**	**2,985.1**
Income tax paid		(292.7)	(136.2)
Interest received from operating activities		25.9	38.8
Net cash from operating activities		**2,884.7**	**2,887.7**
Acquisition of property, plant and equipment		(436.2)	(417.8)
Acquisition of intangible assets		(154.2)	(165.3)
Concessions payments		(268.5)	(118.7)
Acquisition of subsidiaries, net of cash acquired	37	(144.4)	(29.5)
Proceeds from sale of property, plant and equipment		9.5	16.9
Granted loans		(11.6)	(16.1)
Repayment of granted loans		0.1	-
Other investing activities – derivatives		(1.6)	3.9
Other inflows		3.5	-
Net cash used in investing activities		**(1,003.4)**	**(726.6)**

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

Repayment of loans and borrowings	30	(1,940.9)	(9,222.2)
Loans and borrowings inflows	30	5,500.0	6,820.0
Bonds (redemption)/issue	31	(4,484.0)	1,000.0
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(729.6)	(978.9)
Acquisition of bonds		(323.6)	-
Early redemption fee	31	(262.1)	-
Hedging instrument effect – principal		175.4	-
Other outflows		(6.0)	(5.6)
Net cash used in financing activities		**(2,070.8)**	**(2,386.7)**
Net decrease in cash and cash equivalents		**(189.5)**	**(225.6)**
Cash and cash equivalents at the beginning of the period		**1,523.7*** **	**1,747.9** **
Effect of exchange rate fluctuations on cash and cash equivalents		2.5	1.4
Cash and cash equivalents at the end of the period		**1,336.7**** **	**1,523.7*** **

* includes impact of hedging instruments and amount paid for costs related to the new financing
** includes restricted cash amounting to PLN 12.6
*** includes restricted cash amounting to PLN 11.7
**** includes restricted cash amounting to PLN 10.7

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Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Note	Number of shares	Share capital	Share premium	Other reserves	Retained earnings*	**Equity attributable to equity holders of the Parent**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2016		**639,546,016**	**25.6**	**7,174.0**	**(3.7)**	**3,054.2**	**10,250.1**	**-**	**10,250.1**
Acquisition of Litenite	37	-	-	-	-	-	**-**	**98.3**	**98.3**
Total comprehensive income		-	-	-	8.2	1,041.3	**1,049.5**	**(20.3)**	**1,029.2**
Hedge valuation reserve	*29*	-	-	-	*7.9*	-	***7.9***	***-***	***7.9***
Actuarial gain		-	-	-	*0.3*	-	***0.3***	***-***	***0.3***
Net profit for the period		-	-	-	-	*1,041.3*	***1,041.3***	***(20.3)***	***1,021.0***
Balance as at 31 December 2016		**639,546,016**	**25.6**	**7,174.0**	**4.5**	**4,095.5**	**11,299.6**	**78.0**	**11,377.6**

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Consolidated Statement of Changes in Equity for the year ended 31 December 2015

	Number of shares	Share capital	Share premium	Other reserves	Retained earnings*	**Equity attributable to equity holders of the Parent**	**Total equity**
Balance as at 1 January 2015	**639,546,016**	**25.6**	**7,237.4**	**(12.2)**	**1,890.8**	**9,141.6**	**9,141.6**
Restatement resulting from purchase price allocation of Metelem**	-	-	(63.4)	-	-	**(63.4)**	**(63.4)**
Balance as at 1 January 2015 restated**	**639,546,016**	**25.6**	**7,174.0**	**(12.2)**	**1,890.8**	**9,078.2**	**9,078.2**
Total comprehensive income	-	-	-	8.5	1,163.4	**1,171.9**	**1,171.9**
Hedge valuation reserve	-	-	-	*5.5*	-	***5.5***	***5.5***
Actuarial gain	-	-	-	*3.0*	-	***3.0***	***3.0***
Net profit for the period	-	-	-	-	*1,163.4*	***1,163.4***	***1,163.4***
Balance as at 31 December 2015	**639,546,016**	**25.6**	**7,174.0**	**(3.7)**	**3,054.2**	**10,250.1**	**10,250.1**

* the capital excluded from distribution amounts to PLN 8.5 as at 31 December 2016 and 2015. 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

** restatement resulting from final purchase price allocation of Metelem (see note 37 in consolidated financial statements for 2015). The amount also includes share issuance-related costs

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Notes to the Consolidated Financial Statements for the year ended 31 December 2016

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 (from 1 March 2016),
- Katarzyna Ostap-Tomann	Member of the Management Board (from 1 October 2016),
- Maciej Stec	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board (to 30 September 2016).

3. Composition of the Supervisory Board of the Company

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

4. Basis of preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU (IFRS EU). The Group applied the same accounting policies in the preparation of the financial data for the year ended 31 December 2016 and the consolidated financial statements for the year 2015, presented in the consolidated annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on 1 January 2016.

During the year ended 31 December 2016 the following became effective:

(i) amendments to IAS 10, IAS 12 and IAS 28 *Investment entities: Applying the Consolidation Exception*
(ii) amendments to IAS 11 *Accounting for acquisitions of interests in joint operations*
(iii) amendments to IAS 1 *Disclosure Initiative*
(iv) amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
(v) amendments to IAS 27 *Equity Method in Separate Financial Statements*
(vi) amendments to IAS 19 *Employee Benefits*
(vii) annual improvements – 2010-2012 reporting cycle
(viii) annual improvements – 2012-2014 reporting cycle

The amendments did not have a significant impact on these consolidated financial statements except for introducing certain new disclosures.

Standards published but not yet effective:

(i) amendments to IAS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture*
(ii) amendments to IAS 7 *Disclosure Initiative*
(iii) amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
(iv) amendments to IFRS 2 *Share-based Payment*
(v) amendments to IFRS 4: Application of IFRS 9 *Financial Instruments* and IFRS 4 *Insurance Contracts*
(vi) IFRS 9 *Financial instruments: Classification and measurement and Hedge accounting*
(vii) IFRS 15 *Revenue from Contracts with Customers*
(viii) IFRS 16 *Leasing*
(ix) annual improvements – 2014-2016 reporting cycle
(x) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
(xi) amendments to IAS 40 *Investment property*

The Group is currently analyzing the impact of the published standards that are not yet effective and assesses that they should not have a material impact on the financial statements (except for IFRS 15, IFRS 16 and IFRS 9), other than additional disclosures.

The Group assesses that IFRS 15 will have a significant impact on the financial statements due to the change in the recognition model of revenue from customer contracts. IFRS 15 will change the distribution of revenue in time and the allocation of revenue amongst the products and services. The Group assesses that the allocation of the contract price in proportion to the standalone sales price will decrease subscription revenues, increase revenues from sales of equipment and thereby result in an earlier recognition of part of the income.

The Group assesses that IFRS 16 will have a significant impact on the financial statements due to the fact that the new standard requires that the lessees recognize assets and liabilities from most of the lease agreements as well as increase the number of disclosures required in the financial statements. Presentation and recognition of costs in the income statement will be similar to the current requirements for the financial lease agreements (separate presentation of depreciation and interests costs). 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, satellite transponders capacity and space rental which are currently presented as operational lease may be classified as financial lease.

The Group assesses that IFRS 9 may have an impact on the financial statements due to the fact that the standard provides for a change in an approach to the classification of financial assets and introduces impairment model based on the expected losses. Implementation of the new impairment model might result in overall increase of provisions amount and potentially increase its volatility in financial statements due to the requirement to take into account both current and future events (forward-looking information), including macroeconomic forecasts.

As at the date of publication of these financial statements the Group has not completed the analysis of the impact of the new standards, IFRS 15, IFRS 16 and IFRS 9.

Other published but not yet effective standards not included above are not relevant to the Group’s operations.

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5. Group structure

These consolidated financial statements for the year ended 31 December 2016 include the following entities:

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

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

(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 (%) 31 December 2016	31 December 2015
Subsidiaries accounted for using full method (cont.)				
Eileme 4 AB (publ)	Stureplan 4C, 114 35 Stockholm Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ) (in liquidation)	Norrlandsgatan 18, 111 43 Stockholm Sweden	financial activities	100%	100%
Liberty Poland S.A.	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	other activities supporting financial services, gaseous fuels trading activities	100%	100%
Plus TM Management Sp. z o.o.	Konstruktorska 4, 02-673 Warsaw	intelectual property rights management and rental	100%	100%
LTE Holdings Limited	Kostaki Pantelidi 1, 1010, Nicosia Cyprus	holding activities	100%	100%
TM Rental Sp. z o.o. (formerly Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna)	Konstruktorska 4, 02-673 Warsaw	intelectual property rights rental	100%	100%
IT Polpager S.A.[e]	Al. Stanów Zjednoczonych 61A, 04-028 Warsaw	maintenance of telco network	100%	-
Orsen Holding Ltd.	Level 2 West, Mercury Tower, Elia Zammit Street, St. Julian's STJ 3155, Malta	holding activities	100%	100%

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

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

(b) On 23 December 2016 Nord License AS was liquidated.

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

(d) On 30 November 2016 Cyfrowy Polsat S.A. merged with Netshare Sp. z o.o.

(e) Company consolidated from 30 September 2016 following acquisition of 100% shares (see note 37).

(f) Companies consolidated from 29 February 2016 following acquisition of 100% shares (see note 37).

(g) On 30 November 2016 Aero 2 Sp. z o.o. (acquiring entity) merged with Midas S.A.

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

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

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

Additionally, the following entities were included in these consolidated financial statements for the year ended 31 December 2016:

	Entity's registered office	Activity	Share in voting rights (%) 31 December 2016	31 December 2015
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, 26-600 Radom	dormant	99%	99%
Polskie Badania Internetu Sp. z o.o.	Al. Jerozolimskie 65/79, 00-697 Warsaw	web portals activities	4.55%	4.55%
InPlus Sp. z o.o.	Wilczyńskiego 25E lok. 216, 10-686 Olsztyn	infrastructure projects advisory	1.5%**	-

* investment accounted for at cost less any accumulated impairment losses

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

Principles applied in the preparation of financial statements

6. Accounting and consolidation policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements by all entities within the Group.

a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are stated at fair value.

b) Going concern

These consolidated financial statements have been prepared assuming that the Group's entities will continue as a going concern in the foreseeable future, not shorter than 12 months from 31 December 2016.

c) Functional and presentation currency

These consolidated financial statements are presented in the Polish zloty, rounded to million, the Group's functional currency.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with EU IFRS 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. Information about critical estimates and judgments in applying accounting policies is included in note 49.

e) Comparative financial information

Comparative data or data presented in previously published financial statements has been updated, if necessary, in order to reflect presentational changes introduced in the current period. The changes had no impact on previously reported amounts of net income or equity.

It should be noted that the year ended 31 December 2016 is not be comparable to the year ended 31 December 2015 as Radio PIN was acquired on 27 February 2015, Orsen Holding Limited was acquired on 1 April 2015, Litenite Ltd. was acquired on 29 February 2016 and IT Polpager S.A. was acquired on 30 September 2016.

f) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Parent. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The financial statements of subsidiaries are prepared for the same period as the financial statements of the Company and using the accounting policies that are consistent with those of the Company for like transactions and events.

(ii) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint ventures equals or exceeds its interests in the joint ventures (which includes any long term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Entities acquired under common control

Business combinations are governed by IFRS 3 "Business Combinations". However, this standard excludes from its scope transactions between entities under common control. According to IAS 8 par. 10-12, in the absence of an IFRS that specifically applies to a transaction, management shall use its judgment in developing and applying accounting policy that shall be consistently used for similar transactions.

Accordingly, the Group has chosen the acquisition method for entities acquired under common control in accordance with IFRS 3.

g) Foreign currency transactions

Foreign currency transactions

Transactions in foreign currencies are translated to the Polish zloty at exchange rates in effect one day prior to the recording of these transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Polish zloty at the average exchange rate quoted by the National Bank of Poland ("NBP") for that date. The foreign currency exchange differences arising on translation of transactions denominated in foreign currencies and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss. Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the average NBP exchange rate in effect at the date of the initial recognition. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the average NBP foreign exchange rate in effect at the date the fair value was determined.

h) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other liabilities.

Non-derivative financial instruments, other than investments recognized at fair value through profit and loss, are recognized initially at fair value plus any directly attributable transaction costs (with certain exceptions as described below).

A financial instrument is recognized when the Group becomes a party to the contractual obligations of the instrument. The Group derecognises a financial asset when contractual rights to the cash flows from the financial assets expire, or it transfers the financial asset to another party in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Standardised transactions for sale or purchase of financial assets are recognized at the transaction date i.e. on the date the Group assumes an obligation to acquire or sell the asset. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

Principles for recognition of gains and losses on investment activities and costs are presented in note 6v.

Loans and receivables and other financial liabilities

Loans and receivables which are not derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses. Other non-derivative financial liabilities are measured at amortized cost using the effective interest method.

Cash and cash equivalents comprise cash on hand and call deposits. The cash and cash equivalents balance presented in the consolidated cash flow statement comprises the above mentioned elements of cash and cash equivalents.

(ii) Derivative financial instruments

Hedge accounting

The Group may use derivative financial instruments such as forward currency contracts, foreign exchange call options, interest rate swaps and cross-currency interest rate swaps to hedge its foreign currency and interest rate risks. The Group may use forward currency contracts, foreign exchange call options and cross-currency interest rate swaps as cash flow hedges of its exposure to foreign currency risk in forecasted EUR denominated fixed coupon payments on Eurobonds as well as interest rate swaps for its exposure to volatility in the interest payments on floating rate debt.

For the purpose of hedge accounting, the Group's hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For cash flow hedges the effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the hedge valuation reserve, while any ineffective portion is recognized immediately in the income statement.

The amounts recognized within other comprehensive income are transferred from equity to the income statement when the hedged transaction affects profit or loss, such as when the related gain or loss is recognized in Finance costs or when a forecast sale occurs.

Gains and losses from the settlement of derivative instruments that are designated as, and are effective hedging instruments, are presented in the same position as the impact of the hedged item. The derivative instrument is divided into a current portion and a non-current portion only if a reliable allocation can be made.

Other derivatives not designated for hedge accounting

Derivative instruments that are not designated for hedge accounting are recognized initially at fair value, attributable transaction costs are recognized in the profit or loss as incurred. Subsequent to initial recognition, the Group measures those derivative financial instruments at fair value, and changes therein are recognized in profit or loss.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or divided into a current and non-current portion based on an assessment of the relevant facts and circumstances (i.e., the underlying contracted cash flows):

- Where the Group intends to hold a derivative instrument considered an economic hedge (for which hedge accounting is not applied) for a period exceeding 12 months after the reporting date, such derivative instrument is classified as non-current (or divided into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

i) Equity

Ordinary shares

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

Preference share capital

Preference share capital is classified as equity, if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity.

Costs attributable to issue and public offering of shares

Costs attributable to a new issue of shares are recognized in equity while costs attributable to a public offering of existing shares are recognized directly in finance costs. These costs relating to both new issue and sale of existing shares are recognized on a pro-rata basis in equity and finance costs.

Share premium

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

Retained earnings

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. This capital is excluded from distribution, however, it can be utilised to cover accumulated losses.

j) Property, plant and equipment

(i) Property, plant and equipment owned by the Group

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes purchase price of the asset and other expenditure that is directly attributable to the acquisition and bringing the asset to a working condition for its intended use, including initial delivery as well as handling and storage costs. The cost of purchased assets is reduced by the amounts of vendor discounts, rebates and other similar reductions received.

The cost of self-constructed assets and assets under construction includes all costs incurred for their construction, installation, adoption, and improvement as well as borrowing costs incurred until the date they are accepted for use (or until the reporting date for an asset not yet accepted for use). The above cost also may include, if necessary, the estimated cost of dismantling and removing the asset and restoring the site. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Investment property

Investment property is defined as a property (land, building, or both) held by the Group to earn rentals or for capital appreciation or both.

Investment property is measured initially at cost. Once recognized all investment property held by the Group are measured using the cost model as set out in IAS 16. This means that the assets are recognized at cost and depreciated systematically over its useful life as presented in (i) above.

Investment property is removed from the balance sheet on disposal or when it is permanently withdrawn from use and no further economic benefits are expected from its disposal.

(iii) Subsequent costs

Subsequent cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the amount of the cost can be measured reliably. Replaced item is derecognized. Other property, plant and equipment related costs are recognized in profit and loss as incurred.

(iv) Depreciation

Depreciation expense is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The following are estimated useful lives of respective group of property, plant and equipment:

Reception equipment	3 or 5	years
Buildings and structures	2 - 61	years
Technical equipment and machinery	2 - 30	years
Vehicles	2 - 10	years
Other	2 - 26	years

Depreciation methods, useful lives and residual values of material assets are reviewed at each financial year-end and adjusted if appropriate.

(v) Leased assets

Assets used under lease, tenancy, rental or similar contracts which meet finance lease criteria, are classified as non-current assets and measured at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Set-top boxes, modems and routers that are provided to customers under operating lease agreements are recognized within property, plant and equipment (Reception equipment in the balance sheet).

Assets subject to the lease are depreciated in a manner that is consistent with the policies applied to similar Group-owned assets. Depreciation is based on the principles of IAS 16 *Property, plant and equipment*. Where it is not reasonably certain that the lessee will obtain ownership of the asset before the lease term ends, the asset is depreciated over its useful life or the lease term, if shorter.

Carrying amounts of reception equipment and other items of property, plant and equipment may be reduced by impairment losses whenever there is any indication that an asset may be impaired or there is uncertainty as to those assets' revenue generating potential or their future use in the Group's operations. The accounting policies relating to impairment are presented in note 6o.

k) Intangible assets

(i) Goodwill

Goodwill represents the excess of the sum of consideration transferred and payable, the amount of non-controlling interest in the acquiree and the fair value as at the date of acquisition of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is presented at purchase price less accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if possible impairment is indicated. Goodwill is allocated to acquirer's cash-generating units for the purpose of testing for impairment. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Customer relationships

Customer relationships acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives.

(iii) Brands

Brands acquired as a result of the acquisition of subsidiaries are amortized on a straight-line basis over their useful lives, except where an indefinite period of use is justified. Brands with an indefinite useful life are tested annually for impairment or more frequently if impairment indicators exist. The estimated useful lives for respective brands are as follows:

- Polsat, TV4, TV6 and Ipla brands: indefinite useful life
- Plus brand: 51 years (i.e.2065).

(iv) Other intangible assets

The Group capitalises costs of IT software internally generated, including employee-related expenses, directly resulting from generation and preparing asset to be capable of operating, if the Group is able to measure reliably the expenditure attributable to such development and when it can reliably establish the commencement as well as the completion date of the software development activities.

Other intangible assets acquired by the Group are measured at cost less accumulated amortization and impairment losses.

Subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the profit or loss as incurred.

Amortization expense is based on the cost of an asset less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The recoverable amounts of intangible assets which are not yet available for use are measured as at each balance sheet date.

The estimated useful lives for respective intangible assets groups are as follows:

- Computer software: 2-15 years,
- Customer relationships: 3-13 years,
- Concessions: period resulting from an administrative decision,
- Other: 2-7 years.

l) Programming assets

Programming assets comprise acquired formats, licences and copyrights for broadcasting feature films, series, news and shows, capitalized costs of commissioned external productions ordered by the Group, capitalized sports rights and advance payments made (including advance payments for sports rights).

(i) Initial recognition

Programming rights, other than sports rights, are recognized at cost as programming assets when the legally enforceable licence period begins and all of the following conditions have been met:

- the cost of each program is known or reasonably determinable,
- the program material has been accepted by the Group in accordance with the conditions of the licence agreement,
- the program is available for its first showing.

Capitalized costs of productions include costs of programs ordered by the Group, including productions made based on licences purchased from third parties. Capitalized costs of productions are measured individually for each program at their respective production or acquisition costs, not to exceed their recoverable amounts.

Sports rights are recognized at cost at broadcast date. The rights to broadcast seasonal sports events, acquired in long term contracts (often for multiple seasons), are capitalized at cost based on a relative value assigned to a given season of the sport event as estimated by Group's internal experts.

Advance payments for acquired programming assets, prior to licence begin date, are recognized as prepayments for programming assets.

Signed and binding contracts for purchase of programming, which do not meet recognition criteria for programming assets are not recognized in the balance sheet and are instead disclosed as contractual commitments in the amount of the outstanding contract liability at the reporting date.

Programming assets are classified as non-current or current based on the estimate timing of the broadcast. A programming asset is recognized as current when the expected broadcast falls within 1 year from the reporting date. Sport rights and prepayments for sport rights are classified as current or non-current based on dates of related sport events.

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

(ii) Amortization

Programming assets are amortized using the method reflecting the manner of consuming the economic benefits embodied in the licenses acquired within their estimated useful lives limited by the term of the respective license agreements.

- Feature films and series – amortization starts at the first broadcast. Consumption of the economic benefits is measured using a declining balance method according to a standardized rate matrix and depends on the number of showings permitted or planned, primarily as described below:

	Feature films			
Number of depreciable runs	**Rate per run**			
	I	II	III	IV
1	100%			
2	60%	40%		
3	40%	30%	30%	
4 and more	35%	25%	25%	15%

	TV series	
Number of depreciable runs	**Rate per run**	
	I	II
1	100%	
2	80%	20%

- Feature films and series broadcasted on thematic channels are mainly amortized in four or five runs using the rates of 25% and 20% respectively.
- Sport rights – 100% of the cost is recognized in profit or loss on the first broadcast or, where seasonal rights or rights for multiple seasons or competitions are acquired, such rights are principally amortized on a straight-line basis over the seasons or competitions.
- Commissioned external productions intended for only one run are fully amortized on their first broadcast.
- News programming is fully amortized at its first broadcast.
- General entertainment shows are fully amortized at their first broadcast.

Amortization of programming assets is presented in Content costs line in the operating costs of the income statement.

(iii) Impairment

Programming assets are reviewed for impairment at least annually and whenever there is any indication that the carrying amount may not be recoverable. Impairment losses are recognized on each license in case of withdrawal from broadcasting an item in the expected future (resulting from changes in strategic program scheduling, changing audience tastes, media law restrictions on the usability of films) and expected future losses anticipated on disposal of the rights.

Impairment write downs on programming assets are recognized as part of the cost of sales. Impairment of programming assets is reversed if the reason for the original impairment ceases to exist. The reversals are recorded as cost of sales reductions.

m) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of acquisition or production cost of inventories is determined by using the weighted average cost method.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in making them available for use or sale. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads determined based on normal operating capacity.

Net realisable value is the current market price in the ordinary course of business, less the estimated costs of completion and selling expenses. In the case of set-top boxes, mobile phones, modems and tablets, which under the business model applied by the Group are sold below cost, the loss on the sale is recorded when transferred to the customer.

The Group creates an allowance for slow-moving or obsolete inventories.

n) Prepayments

Prepayments for data transfer purchases are recognized in the nominal value upon payments made. The costs are recognized in the income statement based on the actual usage of data transmission and contractual fees. Prepayments, which will be settled after 12 months from the balance sheet date are presented as non-current assets.

o) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis at each reporting date. The remaining financial assets are assessed for impairment collectively in groups that share similar credit risk characteristics.

Receivables are reduced by an allowance based on the likelihood of future debt collection. The allowance is charged to the cost of debt collection services and bad debt allowance and receivables written off. An allowance for receivables from individuals is estimated based on the historical pattern for overdue receivables collection.

All impairment losses are recognized in profit or loss statement in Cost of debt collection services and bad debt allowance and receivables written off.

Impairment losses are reversed if a subsequent increase in the recoverable amount of a financial asset can be objectively attributed to an event occurring after the impairment losses were recognized.

(ii) Non-financial assets

The carrying amounts of non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated by the Group. The recoverable amount of intangible assets which are not yet available for use as well as of goodwill and brands with indefinite useful life is estimated at each reporting date.

An impairment loss is recognized when the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit represents the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of thereof. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units), and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In the case of assets that do not generate independent cash inflows, the value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recorded in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

p) Employee benefits

(i) Defined contribution plan

All Group entities that act as employers have an obligation, under applicable legislation, to collect and remit contributions to the state pension fund. According to IAS 19 *Employee Benefits* such benefits represent state plans that are classified as defined contribution plans. Therefore, the Group's obligations for a given period are estimated as the amount of contributions to be remitted for that period.

(ii) Defined benefit plan – retirement benefits

The Group entities have an obligation, under applicable legislation, to pay retirement benefits calculated in accordance with the relevant provisions of the Polish labor code. The minimum retirement benefit is as per the labor code provisions at the moment of payment.

The calculation is carried out using the Projected Unit Credit Method. Employee turnover is estimated based on historical experience and expected future employment levels.

Changes in the amount of the retirement benefits liability are recognized in the income statement. Actuarial gains and losses are recognized in the equity, in other comprehensive income in full in the period they originated.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as an expense as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term bonus, if the Group has a present legal or constructive obligation to make such payments as a result of past services provided by the employees and the obligation can be estimated reliably.

q) Provisions

A provision is recognized if, as a result of past event, the Group has a present obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Certain disclosures may not be included in these consolidated financial statements as they relate to sensitive information.

(i) Warranties

A provision for warranties is recognized when the underlying products or goods are sold. The amount of the provision is based on historical warranty data and a weighting of all possible outflows against their associated probabilities.

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of fulfilling the contract. Before a provision is established, the Group recognizes any impairment loss on the assets dedicated to that contract.

r) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from past events, but its amount cannot be estimated reliably or it is not probable that there will be an outflow of resources embodying economic benefits.

The Group does not recognize a contingent liability, except for contingent liability assumed in a business combination.

Unless the possibility of any outflow in settlement is remote, the Group discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and, where practice able:
- an estimate of its financial effect,
- an indication of the uncertainties relating to the amount or timing of any outflow and
- the possibility of any reimbursement.

s) Revenue

Revenue is measured at the fair value of the consideration received or receivable, representing the gross inflow of economic benefit from Group's operating activities, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists that recovery of the consideration is probable, the associated costs can be estimated reliably and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then such discounts are recognized as a reduction of revenue when it is recognized.

The Group's main sources of revenue are recognized as follows:

(a) Retail revenue consists primarily of monthly subscription fees paid by our pay digital television contract customers for programming packages, subscription fees paid by our contract customers for telecommunication services, fees for telecommunication services provided to our contract customers, which are not included in the subscription fee, payments for telecommunication services paid by our prepaid and mix customers, fees for the lease of set-top boxes, activation fees, penalties, and fees for additional services.
Services revenues are recognized in profit and loss in the period when related services are rendered.
Revenues from prepaid mobile telephone services are recognized in profit or loss once the prepaid credit is utilized or forfeited.
Revenue from the rental of reception equipment and activation fees are recognized on a straight-line basis over the minimum base period of the subscription contract.

(b) Wholesale revenue comprises advertising and sponsorship revenue, revenue from cable and satellite operator fees, revenue from the lease of infrastructure, interconnect revenue, revenue from roaming, revenue from the sale of broadcasting and signal transmission services and revenue from the sale of licenses, sublicenses and property rights.
Advertising and sponsorship revenue is derived primarily from broadcasting of advertising content and is recognized in the period when the advertising is broadcast. Revenue is recognized in profit or loss in the amount due from customers net of value added tax, taxes on revenue from advertising of alcohol beverages and any rebates granted. Advertising and sponsorship revenue also comprises revenue on commissions on sales of commercial airtime when the Group acts as an agent on behalf of third parties. The commissions are recognized at amounts due from the buyers of advertising airtime or sponsorship services, less of any amounts due to television broadcasters. Revenue from commissions on sales of commercial airtime and from sponsorship is recognized in the consolidated income statement when these services are rendered.
Revenue from charges made to cable and satellite operators includes fees from cable and satellite operators for reemission (rebroadcasting) of programs produced by the Group. Revenue is recognized when the related programs are broadcast.
Services revenues are recognized in profit and loss in the period when related services are rendered, net of any discount given.

(c) Revenue from sale of equipment is measured at the fair value of the consideration received or receivable, net of discounts, rebates and returns. Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the customer.

(d) Other revenue is recognized, net of any discount given, when the relevant goods or service are provided.
Other revenue includes primarily revenue from the lease of premises and facilities, revenue from interest on installment plan purchase and other sales revenue.

When the Group sells goods and services in one bundled transaction, the total consideration from the arrangement is allocated to each element of such multiple-element arrangements based on residual method in such a way that the amount recognized for items already received cannot be higher than cash already received.

t) Distribution fees

Commissions payable to distributors for registering new subscribers and for retention of existing subscribers are recognized over the minimum base period of the subscription agreement.

Commissions for distributors which will be settled within 12 months of the reporting date are classified as other current assets, while the commissions, which will be settled more than 12-months after the reporting date, are classified as non-current assets.

u) Barter revenue and cost

Barter revenue is recognized when the services are rendered or goods delivered. Programming licences, products and services received are expensed or capitalized when received or used. The Group recognizes barter transactions at the estimated fair value of the programming licences, products or services received. When products or services are received before related advertising is broadcast, a liability is recognized by the Group. Conversely, when advertising is broadcast before products or services are received, a receivable is recognized by the Group.

v) Gains and losses on investment activities and finance costs

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 completed forward exchange contracts and call options, impairment losses recognized on financial assets.

Interest income and expense (other than interest expense on borrowings) is recognized as it accrues in profit or loss using the effective interest method. Dividends income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense 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 as well as guarantee fees resulting from the indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

w) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

x) Income tax

Income tax expense/benefit comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income.

Current tax is the tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet approach, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are measured based on the expected manner of recovery or settlement of the carrying amounts of assets and liabilities, respectively, using tax rates that are enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. An amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefit will be partly or wholly realized. When not recognized deferred tax asset becomes recoverable, it is recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are offset by the Group companies.

y) Earnings per share

The Group presents basic and diluted earnings per share for its ordinary and preference shares. Basic earnings per share are calculated by dividing the period's profit or loss from continuing operations attributable to ordinary and preference shareholders of the Company by the weighted average number of ordinary and preference shares outstanding during the period. Diluted earnings per share are calculated by dividing the period's profit or loss from the continuing operations attributable to ordinary and preference shareholders by the weighted average number of ordinary and preference shares, adjusted by the effects of all dilutive potential ordinary and preference shares.

z) Segment reporting

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

The Group presents operating segments according to its internal management accounting principles applied in the preparation of periodical management reports which are regularly analysed by the Management Board of Cyfrowy Polsat S.A. These reports are analyzed on regular basis by management which was identified as the chief operating decision maker.

aa) Cash flows statement

Cash and cash equivalents in the cash flow statement are equal to cash and cash equivalents presented in the consolidated balance sheet.

Purchases of set-top boxes to be provided to customers under operating lease contracts are classified in the cash flows statement within operating activities. The purchases and disposals of these set-top boxes are classified in the cash flows statement within operating activities and presented as "Net disposals/(additions) in reception equipment provided under operating lease".

Acquisition of items of property, plant and equipment or intangible assets are presented in their net amount (net of related value added tax).

Payments for film licences and sport rights are presented on a net basis (net of related value added tax) within operating activities. Expenditures on the acquisition of programming assets also include the amount of withholding tax paid to the relevant tax authorities.

7. Determination of fair values

A number of accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. The methods for determining fair values are described below. When applicable further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Derivatives

The fair value of derivatives is calculated based on their quoted closing bid price at the balance sheet date or, in the lack thereof, other inputs that are observable for the asset or liability, either directly (i. e. as prices) or indirectly (i. e. derived from prices). In the second case, the fair value of derivatives is estimated as the present value of future cash flows, discounted using the market interest rate at the reporting date. Information on the structure of Polish and eurozone interest rates and Polish złoty exchange rate are used in order to estimate future cash flows and market interest rate.

(ii) Non-derivative financial assets

The fair value of non-derivative financial asset for disclosure purposes is estimated as the present value of future cash flows discounted using the market rate of interest rate as at the balance sheet date.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on liabilities' quoted closing bid price at the balance sheet date or, in the lack thereof, estimated on the present value of future principal and interest cash flows, discounted using the market interest rate at the reporting date. Market interest rate is estimated as interbank interest rate for a given currency zone (WIBOR, EURIBOR) plus a margin regarding the Group's credit risk. A market interest rate for a finance lease contract is estimated based on interest rates for similar lease contracts.

8. Approval of the Consolidated Financial Statements

These consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 15 March 2017.

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

Explanatory notes

9. Revenue

	for the year ended	
	31 December 2016	**31 December 2015**
Retail revenue	6,325.3	6,553.1
Wholesale revenue	2,466.1	2,596.9
Sale of equipment	850.8	583.4
Other revenue	87.6	89.6
Total	**9,729.8**	**9,823.0**

Retail revenue mainly consists of pay-TV, telecommunication services, interconnection revenues, revenue from rental of reception equipment and contractual penalties.

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.

10. Operating costs

		for the year ended	
	Note	**31 December 2016**	**31 December 2015**
Technical costs and cost of settlements with telecommunication operators		1,938.7	2,141.0
Depreciation, amortization, impairment and liquidation		1,971.5	1,699.3
Cost of equipment sold		1,354.7	1,332.8
Content costs		1,114.2	1,065.9
Distribution, marketing, customer relation management and retention costs		827.8	802.6
Salaries and employee-related costs	a	570.5	550.2
Cost of debt collection services and bad debt allowance and receivables written off		46.9	62.6
Other costs		245.0	213.5
Total		**8,069.3**	**7,867.9**

a) Salaries and employee-related costs

	for the year ended	
	31 December 2016	**31 December 2015**
Salaries	481.4	464.1
Social security contributions	73.4	70.1
Other employee-related costs	15.7	16.0
Total	**570.5**	**550.2**

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Average headcount of non-production employees*

	for the year ended	
	31 December 2016	**31 December 2015**
Employment contracts (full-time equivalents)	5,010	5,033

* excluding workers who did not perform work in the reporting period due to long-term absences

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

	for the year ended	
	31 December 2016	**31 December 2015**
Interest, net	30.1	33.1
Other foreign exchange losses, net	(63.5)	(0.7)
Other costs	(36.4)	(23.8)
Total	**(69.8)**	**8.6**

12. Finance costs

	for the year ended	
	31 December 2016	**31 December 2015**
Interest expense on loans and borrowings	401.7	396.4
Interest expense on issued bonds	141.7	371.4
Early redemption costs	-	244.8
Cumulative catch-up	-	(616.2)
Foreign exchange differences on issued bonds	244.8	223.6
Valuation and realization of hedging instruments	7.3	7.8
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(24.8)	13.5
Valuation and realization of derivatives not used in hedge accounting – relating to principal	(203.8)	-
Other	(0.8)	23.3
Total	**566.1**	**664.6**

13. Income tax

(i) Income tax expense

	for the year ended	
	31 December 2016	**31 December 2015**
Current tax expense	126.4	270.6
Change in deferred tax	(98.2)	(100.0)
Correction of income tax returns of previous years	(15.8)	(1.6)
Income tax expense in the income statement	**12.4**	**169.0**

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

	for the year ended	
Change in deferred income tax	**31 December 2016**	**31 December 2015**
Tax losses carried forward	(157.5)	22.4
Receivables and other assets	(33.0)	(4.1)
Liabilities	215.1	(28.0)
Other property, plant and equipment and intangible assets	(136.2)	(119.0)
Other	13.4	28.7
Change in deferred tax recognized in income statement – total	**(98.2)**	**(100.0)**

(ii) Income tax recognized in the statement of other comprehensive income

	for the year ended	
	31 December 2016	**31 December 2015**
Change in deferred income tax on hedge valuation	1.9	1.1
Income tax expense recognized in other comprehensive income - total	**1.9**	**1.1**

(iii) Effective tax rate reconciliation

	for the year ended	
	31 December 2016	**31 December 2015**
Gross profit	1,033.4	1,332.4
Income tax at applicable statutory tax rate of 19%	**196.3**	**253.2**
Tax amortization of intangible assets	(17.2)	(8.9)
Permanent differences on a transaction eliminated on consolidation	(104.3)	-
Other	(62.4)	(75.3)
Tax expense for the year	**12.4**	**169.0**
Effective tax rate	**1.2%**	**12.7%**

(iv) Deferred tax assets

	31 December 2016	**31 December 2015**
Tax losses carried forward	195.2	9.8
Liabilities	401.9	502.0
Tangible assets	114.7	76.0
Receivables and other assets	51.0	49.3
Other	2.7	14.0
Total deferred tax assets	**765.5**	**651.1**
Set off of deferred tax assets and liabilities	(532.8)	(563.5)
Deferred tax assets in the balance sheet	**232.7**	**87.6**

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

(v) Tax loss

	31 December 2016	31 December 2015
2016 tax loss carried forward	666.7	-
2015 tax loss carried forward	269.7	6.6
2014 tax loss carried forward	35.2	22.9
2013 tax loss carried forward	51.6	4.5
2012 tax loss carried forward	67.8	24.4
2011 tax loss carried forward	29.2	18.6
Tax losses carried forward – total	**1,120.2**	**77.0**

(vi) Tax losses recognized

	31 December 2016	31 December 2015
2016 tax loss carried forward	664.3	-
2015 tax loss carried forward	246.7	4.1
2014 tax loss carried forward	4.3	22.9
2013 tax loss carried forward	48.8	4.5
2012 tax loss carried forward	61.4	14.8
2011 tax loss carried forward	29.2	4.8
Tax losses carried forward – total	**1,054.7**	**51.1**

As at 31 December 2016 the Group recognized deferred tax asset on tax losses to the extent that it was probable that they would be utilized in the future.

According to Art. 7 of the Polish Corporate Income Tax Act dated 15 February 1992, tax losses incurred in a given financial year can be utilized in the subsequent five fiscal years. However, no more than 50% of a tax loss for any given year can be utilized in a single subsequent fiscal year.

(vii) Deferred tax liabilities

	31 December 2016	31 December 2015
Receivables and other assets	73.6	76.9
Liabilities	12.5	10.4
Tangible and intangible assets	1,170.3	1,033.2
Other	63.3	58.8
Total deferred tax liabilities	**1,319.7**	**1,179.3**
Set off of deferred tax assets and liabilities	(532.8)	(563.5)
Deferred tax liabilities in the balance sheet	**786.9**	**615.8**

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. The Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

14. EBITDA (unaudited)

EBITDA (earnings before interest, taxes, depreciation, amortization, impairment and liquidation) presents the Group's key measure of earnings performance. The level of EBITDA measures the Group's ability to generate cash from recurring operations, however it is neither a measure of liquidity nor cash level. The Group defines EBITDA as operating profit adjusted by depreciation, amortization, impairment and liquidation. EBITDA is not an IFRS EU measure, and as such can be calculated differently by other entities.

	for the year ended	
	31 December 2016	**31 December 2015**
Net profit for the period	1,021.0	1,163.4
Income tax	12.4	169.0
Gain/loss on investment activities, net	69.8	(8.6)
Finance costs	566.1	664.6
Share of the profit of joint venture accounted for using the equity method	-	(2.6)
Depreciation, amortization, impairment and liquidation*	1,971.5	1,699.3
EBITDA (unaudited)	**3,640.8**	**3,685.1**

* depreciation, amortisation, impairment and liquidation comprise depreciation and impairment of property, plant and equipment, amortisation and impairment of intangible assets and net book value of disposed property, plant, equipment and intangible assets (excluding amortization of programming assets)

15. Basic and diluted earnings per share

At the reporting date, the Company did not have any financial instruments that could have a dilutive effect, therefore the diluted earnings per share are equal to basic earnings per share.

	for the year ended	
	31 December 2016	**31 December 2015**
Net profit	1,021.0	1,163.4
Weighted average number of ordinary and preference shares in the period	639,546,016	639,546,016
Earnings per share in PLN (not in millions)	**1.60**	**1.82**

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

16. Property, plant and equipment

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	**Other property, plant and equipment**
Cost as at 1 January 2016	**1,011.4**	**33.7**	**229.4**	**2,973.1**	**67.1**	**79.5**	**257.8**	**3,640.6**
Additions	**154.5**	1.9	20.2	198.9	11.1	21.6	238.6	**492.3**
Acquisition of subsidiary (see note 37)	**-**	-	86.8	266.2	-	0.1	189.2	**542.3**
Transfer from assets under construction	**-**	-	4.6	232.3	0.1	15.2	(252.2)	**-**
Disposals	**(66.4)**	-	(26.5)	(122.4)	(7.4)	(15.4)	(15.6)	**(187.3)**
Cost as at 31 December 2016	**1,099.5**	**35.6**	**314.5**	**3,548.1**	**70.9**	**101.0**	**417.8**	**4,487.9**
Accumulated impairment losses as at 1 January 2016	**9.6**	**-**	**-**	**0.7**	**-**	**0.1**	**9.9**	**10.7**
Recognition	**-**	-	-	6.5	-	-	1.8	**8.3**
Reversal	**-**	-	-	(2.4)	-	-	(3.7)	**(6.1)**
Utilisation	**(3.0)**	-	-	(2.1)	-	-	-	**(2.1)**
Accumulated impairment losses as at 31 December 2016	**6.6**	**-**	**-**	**2.7**	**-**	**0.1**	**8.0**	**10.8**
Accumulated depreciation as at 1 January 2016	**630.8**	**-**	**48.5**	**962.4**	**19.5**	**50.9**	**-**	**1,081.3**
Additions	**171.9**	-	16.8	525.3	11.4	14.6	-	**568.1**
Disposals	**(60.7)**	-	(19.4)	(95.9)	(6.1)	(15.2)	-	**(136.6)**
Transfer between groups	**-**	-	-	-	-	-	-	**-**
Accumulated depreciation as at 31 December 2016	**742.0**	**-**	**45.9**	**1,391.8**	**24.8**	**50.3**	**-**	**1,512.8**
Carrying amount as at 1 January 2016	**371.0**	**33.7**	**180.9**	**2,010.0**	**47.6**	**28.5**	**247.9**	**2,548.6**
Carrying amount as at 31 December 2016	**350.9**	**35.6**	**268.6**	**2,153.6**	**46.1**	**50.6**	**409.8**	**2,964.3**

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment allowance is recognized in 'depreciation, amortization, impairment and liquidation'.

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

	Reception equipment	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Tangible assets under construction	**Other property, plant and equipment**
Cost as at 1 January 2015 restated*	**960.5**	**33.2**	**203.4**	**2,624.1**	**57.5**	**72.6**	**288.7**	**3,279.5**
Additions	**137.2**	-	13.1	245.2	19.3	6.4	156.3	**440.3**
Acquisition of subsidiary	**-**	0.9	9.5	6.7	0.3	0.3	-	**17.7**
Transfer from assets under construction	**-**	-	4.3	146.7	-	3.4	(154.4)	**-**
Disposals	**(86.3)**	(0.4)	(0.9)	(49.7)	(10.0)	(3.1)	(18.1)	**(82.2)**
Transfer between groups	**-**	-	-	0.1	-	(0.1)	(14.7)	**(14.7)**
Cost as at 31 December 2015	**1,011.4**	**33.7**	**229.4**	**2,973.1**	**67.1**	**79.5**	**257.8**	**3,640.6**
Accumulated impairment losses as at 1 January 2015	**16.5**	**-**	**-**	**0.5**	**-**	**0.1**	**0.4**	**1.0**
Recognition	**-**	-	-	3.4	-	-	10.7	**14.1**
Reversal	**(4.0)**	-	-	-	-	-	(0.1)	**(0.1)**
Utilisation	**(2.9)**	-	-	(3.2)	-	-	(1.1)	**(4.3)**
Accumulated impairment losses as at 31 December 2015	**9.6**	**-**	**-**	**0.7**	**-**	**0.1**	**9.9**	**10.7**
Accumulated depreciation as at 1 January 2015	**522.9**	**-**	**37.0**	**477.7**	**16.9**	**32.0**	**-**	**563.6**
Additions	**183.5**	-	12.3	499.8	10.9	21.4	-	**544.4**
Additions (depreciation in the value of produced equipment)	**-**	-	-	1.5	-	-	-	**1.5**
Disposals	**(75.6)**	-	(0.8)	(16.7)	(8.3)	(2.5)	-	**(28.3)**
Transfer between groups	**-**	-	-	0.1	-	-	-	**0.1**
Accumulated depreciation as at 31 December 2015	**630.8**	**-**	**48.5**	**962.4**	**19.5**	**50.9**	**-**	**1,081.3**
Carrying amount as at 1 January 2015 restated*	**421.1**	**33.2**	**166.4**	**2,145.9**	**40.6**	**40.5**	**288.3**	**2,714.9**
Carrying amount as at 31 December 2015	**371.0**	**33.7**	**180.9**	**2,010.0**	**47.6**	**28.5**	**247.9**	**2,548.6**

The Group recognized an impairment loss on items of property, plant and equipment whose carrying amounts exceeded their recoverable amounts. The impairment allowance is recognized in 'depreciation, amortization, impairment and liquidation'.

* restatement resulting from final purchase price allocation of Metelem (see note 37 in consolidated financial statements for 2015)

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

17. Goodwill

	2016	2015
Balance as at 1 January	**10,606.4**	**10,585.3**
Acquisition of 100% shares of Litenite Ltd. (see note 37)	368.8	-
Acquisition of 100% shares of IT Polpager S.A. (see note 37)	0.2	-
Acquisition of 100% shares of Orsen Holding Limited	-	16.3
Acquisition of 100% shares of Radio PIN S.A.	-	4.8
Balance as at 31 December	**10,975.4**	**10,606.4**

	31 December 2016	31 December 2015
Goodwill recognized on the acquisition of Metelem Holding Company Ltd.	7,982.5	7,982.5
Goodwill recognized on the acquisition of Telewizja Polsat S.A.	2,360.2	2,360.2
Goodwill recognized on the acquisition of Litenite Ltd.	368.8	-
Goodwill recognized on the acquisition of entities comprising Ipla platform	145.1	145.1
Goodwill recognized on the acquisition of M.Punkt Holdings Ltd.	52.0	52.0
Goodwill recognized on the acquisition of Polskie Media S.A.	34.8	34.8
Goodwill recognized on the acquisition of Orsen Holding Limited	16.3	16.3
Goodwill recognized on the acquisition of Info-TV-FM Sp. z o.o.	10.7	10.7
Goodwill recognized on the acquisition of Radio PIN S.A.	4.8	4.8
Goodwill recognized on the acquisition of IT Polpager S.A.	0.2	-
Total	**10,975.4**	**10,606.4**

Impairment tests performed on goodwill balances as at 31 December 2016 did not indicate impairment (see note 19 for impairment test assumptions).

18. Brands

	2016	2015
Balance as at 1 January	**2,080.6**	**2,085.9**
Amortization of Plus brand	(24.1)	(5.3)*
Balance as at 31 December	**2,056.5**	**2,080.6**

* The Group has finalized the purchase price allocation of Metelem (see note 37 in consolidated financial statements for 2015) however the depreciation, amortization, impairment and liquidation has not been restated in the income statement for the year ended 31 December 2014 due to the fact that the impact would have been non-material. Accordingly, the cumulative effect of restatement has been included in the 2015 income statement.

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

	31 December 2016	31 December 2015
Plus	1,165.7	1,189.8
Polsat	840.0	840.0
TV4	33.7	33.7
TV6	9.3	9.3
Ipla	7.8	7.8
Total	**2,056.5**	**2,080.6**

Plus

Following the acquisition of Metelem Holding Company Ltd. in 2014, the Group recognized a value of the Plus brand. The brand is amortized over the useful life of 51 years (until the year 2065). The carrying amount of the brand was allocated to ”Services to individual and business customers” cash-generating unit.

Polsat

The value of the Polsat brand is recognized following the acquisition of Telewizja Polsat S.A. (currently Telewizja Polsat Sp. z o.o.) in 2011.

The Polsat brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Broadcasting and television production” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on Polsat brand balance as at 31 December 2016 did not indicate impairment (see note 19 for impairment test assumptions).

IPLA

In the consolidated financial statements, as a result of acquisition of entities comprising IPLA platform, the Group has recognized in 2012 among others goodwill and IPLA brand. Value of IPLA brand as at 31 December 2016 amounted to PLN 7.8. The IPLA brand is not amortized as it is considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Services to individual and business customers” cash-generating unit for the impairment testing purposes (see note 19).

Impairment test performed on Ipla brand balance as at 31 December 2016 did not indicate impairment (see note 19 for impairment test assumptions).

TV4 and TV6

In the consolidated financial statements, as a result of acquisition of Polskie Media S.A., the Group has recognized in 2013 among others goodwill and TV4 and TV6 brands. Value of TV4 and TV6 brands as at 31 December 2016 amounted to PLN 43.0.

The TV4 and TV6 brands are not amortized as they are considered to have an indefinite useful life. The carrying amount of the brand was allocated to ”Broadcasting and television production” cash-generating unit for the impairment testing purposes (see note 19).

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Impairment test performed on TV4 and TV6 brands balance as at 31 December 2016 did not indicate impairment (see note 19 for impairment test assumptions).

19. Goodwill and intangible assets with indefinite useful life

The Group recognized goodwill and brands with indefinite useful life in the consolidated financial statements. Their carrying amounts were allocated to the cash generating units which also represent the Group's operating segments.

Goodwill and brands with indefinite useful life are tested for impairment annually or more frequently if possible impairment is indicated. Goodwill and brands are allocated to the below cash-generating units for the purpose of testing for impairment. The allocation was made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose and the brands were identified.

The Group tests the total carrying amount of the cash-generating units and any impairment identified is recognized in the profit or loss immediately with respect to goodwill first and is not subsequently reversed. If goodwill is fully impaired the remaining amount of the impairment loss is allocated to the brands and other assets of the cash-generating unit on a pro rata basis.

	2016	2015
"Services to individual and business customers" cash-generating unit	**8,583.4**	**8,214.4**
Goodwill recognized on the acquisition of Metelem Holding Company Ltd.	7,982.5	7,982.5
Goodwill recognized on the acquisition of Litenite Ltd.	368.8	-
Goodwill recognized on the acquisition of entities comprising Ipla platform	145.1	145.1
Goodwill recognized on the acquisition of M.Punkt Holdings Ltd.	52.0	52.0
Goodwill recognized on the acquisition of Orsen Holding Limited	16.3	16.3
Goodwill recognized on the acquisition of Info-TV-FM Sp. z o.o.	10.7	10.7
Goodwill recognized on the acquisition of IT Polpager S.A.	0.2	-
Ipla brand	7.8	7.8
"Broadcasting and television production" cash-generating unit	**3,282.8**	**3,282.8**
Goodwill recognized on the acquisition of Telewizja Polsat S.A.	2,360.2	2,360.2
Goodwill recognized on the acquisition of Polskie Media S.A.	34.8	34.8
Goodwill recognized on the acquisition of Radio PIN S.A.	4.8	4.8
Polsat brand	840.0	840.0
TV4 brand	33.7	33.7
TV6 brand	9.3	9.3

The recoverable amounts of all the cash generating units have been determined based on the value-in-use calculations. These calculations were based on discounted free cash flows and involved the use of estimates related to cash flow before tax projections based on actual financial business plans covering the 5-year period until 2021. Cash flow projections after 5-year forecast period are estimated using the terminal growth. Terminal growth rate does not exceed the long-term average growth rate for the country in which the Group operates.

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

<u>The key financial assumptions used in the value-in-use calculations</u>

The most sensitive key financial assumptions used in the value-in-use calculations of "Broadcasting and television production" cash-generating unit and "Services to individual and business customers" cash-generating unit were as follows:
- discount rate
- terminal growth rate used for estimating the cash flows beyond the period of financial plans.

Discount rate – the discount rate reflects the estimate made by the management of the risks specific to each cash-generating unit, taking into account the time value of money and risks specific to the asset. The discount rate was estimated on the basis of weighted average cost of capital method (WACC) and considered Group's and its operating segments' business environment. WACC considers both debt and equity. Cost of equity is based on the return on investment excepted by the Group's investors while cost of debt is based on the interest bearing debt instruments. Operating segment- specific risk is considered by the estimation of beta. Beta is estimated annually and is based on the market data.

Terminal growth rate – growth rates are based on widely available published market data.

<u>The key financial assumptions used for value-in-use calculations in 2016 and 2015 are as follows:</u>

	Broadcasting and television production		Retail	
	2016	2015	2016	2015
Terminal growth	2%	3%	2%	3%
Discount rate before tax	9.9%	9.7%	9.4%	8.2%

The impairment tests for goodwill and brands allocated to "Broadcasting and television production" and "Services to individual and business customers" cash-generating units did not indicate impairment as at 31 December 2016.

<u>Sensitivity analysis of key financial assumptions</u>
The Group believes that the key assumptions made in testing for impairment of the "Broadcasting and television production" and "Services to individual and business customers" cash-generating units as at 31 December 2016 are reasonable and are based on our experience and market forecasts that are published by the industry experts. Management believes that any reasonably possible change in the key assumptions on which the above mentioned cash-generating units' recoverable amounts are based would not cause the impairment charge to be recognized.

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

20. Customer relationships and other intangible assets

	31 December 2016	31 December 2015
Customer relationships	3,031.2	3,638.5
Customer relationships total	**3,031.2**	**3,638.5**
Software and licenses	558.9	680.9
Concessions	2,915.3	1,658.8
Other	31.9	11.7
Other intangible assets under development	150.1	70.8
Other intangible assets total	**3,656.2**	**2,422.2**

The customer relationships and telecommunication concessions (900 MHz, 1800 MHz and 2100 MHz) were recognized in the balance sheets following the acquisition of Metelem Holding Company Limited based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to ”Services to individual and business customers” cash-generating unit.
The customer relationships and telecommunication concessions (800 MHz, 900 MHz, 1800 MHz and 2600 MHz) were recognized in the balance sheets following the acquisition of Midas S.A. based on the Group's acquisition accounting. The carrying amount of the customer relationships and concessions was allocated to ”Services to individual and business customers” cash-generating unit.

Customer relationships as at 31 December 2016 include the following:

	Amortization preriod
Customer relationships with retail clients	10 years
Customer relationships – infrastructure lease	3 years
Customer relationships – roaming	13 years
Customer relationships with wholesale clients (MVNO)	3 years

Concessions as at 31 December 2016 include the following:

	Expiry date
Concession GSM 900	24.02.2026
Concession GSM 1800	14.09.2029
Concession GSM 2600	24.01.2031
Concession UMTS	01.01.2023
Concession (fixed-line telecommunication network)	31.12.2020
Concession 900 MHz	31.12.2023
Concession 1800 MHz	31.12.2022
Concession 1800 MHz	31.12.2022
Concession 2600 MHz	31.12.2024
Concession 800 MHz	31.12.2018

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

	Customer relationships	Software and licenses	Concessions for broadcasting television programs	Other	Other intangible assets under development	**Other intangible assets**
Cost						
Cost as at 1 January 2016	**4,640.0**	**1,034.7**	**2,009.2**	**27.0**	**70.9**	**3,141.8**
Additions	**-**	47.3	155.8	2.0	101.2	**306.3**
Acquisition of subsidiary (see note 37)	**-**	2.2	1,507.7	0.8	15.2	**1,525.9**
Transfer from intangible assets under development	**-**	28.0	-	3.3	(31.3)	**-**
Disposals	**-**	(4.7)	-	(1.4)	(3.5)	**(9.6)**
Transfer between groups	**-**	(24.3)	-	24.3	-	**-**
Cost as at 31 December 2016	**4,640.0**	**1,083.2**	**3,672.7**	**56.0**	**152.5**	**4,964.4**
Accumulated impairment losses as at 1 January 2016	**-**	**0.5**	**-**	**-**	**-**	**0.5**
Recognition	-	-	-	-	2.4	**2.4**
Disposals	-	(0.5)	-	-	-	**(0.5)**
Accumulated impairment losses as at 31 December 2016	**-**	**-**	**-**	**-**	**2.4**	**2.4**
Accumulated amortization as at 1 January 2016	**1,001.5**	**353.4**	**350.4**	**15.3**	**-**	**719.1**
Additions	**607.3**	175.1	407.0	10.2	-	**592.3**
Disposals	**-**	(4.2)	-	(1.4)	-	**(5.6)**
Accumulated amortization as at 31 December 2016	**1,608.8**	**524.3**	**757.4**	**24.1**	**-**	**1,305.8**
Carrying amounts						
As at 1 January 2016	**3,638.5**	**680.8**	**1,658.8**	**11.7**	**70.9**	**2,422.2**
As at 31 December 2016	**3,031.2**	**558.9**	**2,915.3**	**31.9**	**150.1**	**3,656.2**

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

	Customer relationships	Software and licenses	Concessions for broadcasting television programs	Other	Other intangible assets under development	**Other intangible assets**
Cost						
Cost as at 1 January 2015 restated*	**4,640.0**	**833.0**	**2,010.1**	**27.0**	**105.9**	**2,976.0**
Additions	**-**	142.2	0.1	0.1	11.1	**153.5**
Acquisition of subsidiary	**-**	0.3	1.1	-	-	**1.4**
Transfer from intangible assets under development	**-**	60.7	-	0.1	(60.8)	**-**
Disposals	**-**	(1.5)	(2.1)	(0.2)	-	**(3.8)**
Transfer between groups	**-**	-	-	-	14.7	**14.7**
Cost as at 31 December 2015	**4,640.0**	**1,034.7**	**2,009.2**	**27.0**	**70.9**	**3,141.8**
Accumulated impairment losses as at 1 January 2015	**-**	**-**	**-**	**-**	**-**	**-**
Recognition	-	0.5	-	-	-	**0.5**
Accumulated impairment losses as at 31 December 2015	**-**	**0.5**	**-**	**-**	**-**	**0.5**
Accumulated amortization as at 1 January 2015	**384.2**	**192.3**	**179.1**	**13.2**	**-**	**384.6**
Additions	**617.3**	161.8	173.4	2.2	-	**337.4**
Disposals	**-**	(0.7)	(2.1)	(0.1)	-	**(2.9)**
Accumulated amortization as at 31 December 2015	**1,001.5**	**353.4**	**350.4**	**15.3**	**-**	**719.1**
Carrying amounts						
As at 1 January 2015 restated*	**4,255.8**	**640.7**	**1,831.0**	**13.8**	**105.9**	**2,591.4**
As at 31 December 2015	**3,638.5**	**680.8**	**1,658.8**	**11.7**	**70.9**	**2,422.2**

* restatement resulting from final purchase price allocation of Metelem (see note 37 in consolidated financial statement for 2015)

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

21. Programming assets

	31 December 2016	31 December 2015
Acquired film licenses	207.6	198.5
Capitalised cost of external production and sports rights	58.0	29.0
Co-productions	0.2	0.3
Prepayments	78.0	109.4
Total	**343.8**	**337.2**
Of which: Current	*192.0*	*192.2*
Non-current	*151.8*	*145.0*

Change in programming assets

	2016	2015
Net carrying amount as at 1 January	**337.2**	**287.9**
Increase*:	280.3	259.6
Acquisition of film licenses	*138.2*	*170.6*
Capitalized costs of sports rights	*142.1*	*89.0*
Change in advanced payments	(18.7)	-
Change in impairment losses:	0.5	3.4
Film licenses	*0.6*	*3.0*
Capitalized cost of external production and sports rights	*(0.1)*	*0.4*
Change in internal production*	2.7	3.9
Amortization of film licenses	(129.4)	(128.1)
Amortization of capitalized cost of sports rights	(112,0)	(88.3)
Disposals:	(16,8)	(1.2)
Sale of film licenses	*(16,8)*	*(1.2)*
Net carrying amount as at 31 December	**343.8**	**337.2**

* includes change in prepayments

Commitments related to acquisition of programming assets by the Group are presented in note 48.

22. Deferred distribution fees

	31 December 2016	31 December 2015
Deferred distribution fees	**290.0**	**296.0**
Of which: Current	*207.2*	*212.7*
Non-current	*82.8*	*83.3*

Deferred distribution fees include commissions for distributors for contracts effectively concluded with subscribers. These costs are expensed by the Group to profit or loss over the minimum base period of the subscription contracts.

As at 31 December 2016, the balance of distribution fees relating to agreements whose basic period as at the date of signing was more than 12 months amounted to PLN 288.4 (as at 31 December 2015: 295.1 PLN).

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

23. Other non-current assets

	31 December 2016	31 December 2015
Deferred costs	3.8	5.0
Non-current trade receivables	401.2	232.9
Loans granted to related parties	22.8	16.8
Shares	5.9	2.5
Investment in joint ventures	5.9	5.9
Deposits paid	2.9	2.8
Derivative instruments IRS (note 38)	9.5	6.9
Total	**452.0**	**272.8**

As at 31 December 2016 and 31 December 2015 Non-current trade receivables include receivables from installment plan purchases.

As at 31 December 2016 99% shares in Karpacka Telewizja Kablowa Sp. z o.o. (“KTK Sp. z o.o.”) and 1.5% shares in InPlus Sp. z o.o. were included in “Shares”. As at 31 December 2015 99% shares in Karpacka Telewizja Kablowa Sp. z o.o. (“KTK Sp. z o.o.”) were included in “Shares”.

24. Inventories

Types of inventories	31 December 2016	31 December 2015
Mobile phones	86.4	129.2
Laptops, tablets and modems	36.3	55.3
Set-top boxes and disc drives	42.0	13.2
Other inventories	114.0	83.3
Total net book value	**278.7**	**281.0**

Other inventories comprise primarily of raw materials used in the production of set-top boxes.

Write-downs of inventories	2016	2015
Opening balance	**17.0**	**21.4**
Increase	10.2	7.0
Utilisation	(9.7)	(6.5)
Decrease	(1.1)	(4.9)
Closing balance	**16.4**	**17.0**

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

25. Trade and other receivables

	31 December 2016	31 December 2015
Trade receivables from related parties	12.7	66.6
Trade receivables from third parties	1,567.9	1,391.7
Tax and social security receivables	51.1	91.9
Other receivables	56.3	68.9
Total	**1,688.0**	**1,619.1**

Trade receivables from third parties include primarily receivables from individual customers, media houses and distributors.

Trade receivables by currency

Currency	**31 December 2016**	**31 December 2015**
PLN	1,530.8	1,382.5
EUR	25.8	40.2
USD	18.8	32.7
Other	5.2	2.9
Total	**1,580.6**	**1,458.3**

Movements in the allowance for impairment of accounts receivable

	2015	2015
Opening balance	**95.3**	**75.0**
Acquisition of subsidiary	-	0.2
Increase	58.5	64.1
Reversal	(11.1)	(12.7)
Utilisation	(40.4)	(31.3)
Closing balance	**102.3**	**95.3**
Of which:		
Short-term	*79.4*	*73.9*
Long-term	*22.9*	*21.4*

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

26. Other current assets

	31 December 2016	31 December 2015
Derivative instruments forward/IRS (note 38)	6.7	10.5
Other deferred income	1.8	-
Other deferred costs	30.2	389.0
Total	**38.7**	**399.5**

Other deferred costs in the amount of PLN 389.0 related to the agreement with Aero2 Sp. z o.o. (legal successor of Mobyland Sp. z o.o.). Agreements dated 3 March 2015 are described in detail in the consolidated financial statements for the period ended 31 December 2015.

27. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash on hand	0.3	0.6
Current accounts	427.3	150.5
Deposits	898.4	1,360.9
Total	**1,326.0**	**1,512.0**

The Group places its cash and cash equivalents in banks and financial institutions with reliability proven by ratings awarded by universally recognized agencies Standard & Poor's, Moody's or Fitch, and in Plus Bank and EFG Bank as required by the loan agreement and policies adopted therein. As at 31 December 2016 cash and cash equivalents were placed primarily with institutions rated A2 by Moody's Investors Service Ltd.

Currency	31 December 2016	31 December 2015
PLN	1,228.9	1,424.4
EUR	14.6	41.2
USD	75.2	37.9
Other	7.3	8.5
Total	**1,326.0**	**1,512.0**

As the Group cooperates with well-established Polish and international banks, the risks relating to deposited cash are considerably limited.

Restricted cash in the amount of PLN 10.7 includes mainly guarantee deposits.

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

28. Equity

(i) Share capital

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

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

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

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

[1] Entity is controlled by Mr. Zygmunt Solorz

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

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

(ii) Share premium

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

(iii) Retained earnings

On 29 June 2016 the Annual General Meeting of the Company adopted a resolution on distribution of profit of the Company for the financial year of 2015. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2015 in the amount of PLN 446.1 is appropriated to the supplementary capital.

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

(iv) Other reserves

Other reserves include hedge valuation effect and actuarial gains.

29. Hedge valuation reserve

On 13 May 2016 the Company concluded interest rate swap (IRS) transaction with BNP Paribas SA ("Transaction"). The Transaction exchanges interest payments based on a floating WIBOR 3M rate into interest payments based on a fixed rate of 1.5150%.

The Transaction was concluded for the period from 30 December 2016 until 28 September 2018 and the total nominal value of the loan being hedged by Transaction amounts to PLN 250.0.

Impact of hedging instruments valuation on assets and liabilities as at 31 December 2016

	IRS
Assets	
Long-term	0.9
Short-term	0.6
Total	**1.5**

Impact of hedging instruments valuation on assets and liabilities as at 31 December 2015

	IRS
Liabilities	
Short-term	(8.3)
Total	**(8.3)**

Impact of hedging instruments valuation on hedge valuation reserve

	2016	**2015**
Balance as at 1 January	**(6.7)**	**(12.2)**
Valuation of cash flow hedges	9.8	6.6
Deferred tax	(1.9)	(1.1)
Change for the period	**7.9**	**5.5**
Balance as at 31 December	**1.2**	**(6.7)**

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

30. Loans and borrowings

Loans and borrowings	31 December 2016	31 December 2015
Short-term liabilities	1,270.0	1,230.9
Long-term liabilities	9,302.7	5,379.8
Total	**10,572.7**	**6,610.7**

Change in loans and borrowings liabilities:

	2016	2015
Loans and borrowings as at 1 January	**6,610.7**	**9,006.1**
Loans and borrowings on acquisition of Litenite Ltd. (see note 37)	378.7	-
Loans and borrowings on acquisition of Orsen Holding Limited as at 1 April 2015	-	22.2
Facilities agreement	4,800.0	6,700.0
Revolving facility loan	700.0	120.0
Repayment of capital	(1,940.9)	(9,222.2)
Repayment of interest and commissions	(377.5)	(411.8)*
Interest accrued	401.7	396.4
Loans and borrowings as at 31 December	**10,572.7**	**6,610.7**

* includes amount paid for costs related to the new financing

Facilities agreement between the Company and a consortium of financial institutions

On 21 September 2015, the Company, as the borrower, along with Telewizja Polsat Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością sp.k. 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").

Based on the CP Facilities Agreement the Company had been awarded a Term Facility Loan up to PLN 1,200 (the "CP Term Facility") and a Revolving Facility Loan up to PLN 300 (the "CP Revolving Facility").

The Company used the CP Term Facility and the CP Revolving Facility in particular to:
(i) repay the indebtedness under the Senior Facilities Agreement of 11 April 2014 between the Company (as the borrower) and a consortium of financial institutions, and
(ii) fund general corporate needs of the Group.

Senior Facilities Agreement between Polkomtel sp. z o.o. ("Polkomtel") and a consortium of financial institutions

On 21 September 2015, the Senior Facilities Agreement was concluded between a Company's subsidiary – Polkomtel as the borrower along with Eileme 2 AB (publ), Eileme 3 AB (publ), Eileme 4 AB (publ), Plus TM Management Sp. z o.o., TM Rental Sp. z o.o., Plus TM Group Sp. z o.o. 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 Citicorp Trustee Company Limited as the Security Agent (the "PLK Facilities Agreement").

Based on the PLK Facilities Agreement Polkomtel had been awarded a Term Facility Loan up to PLN 10,300 (the "PLK Term Facility") and a Revolving Facility Loan up to PLN 700 (the "PLK Revolving Facility").

The PLK Term Facility and the PLK Revolving Facility was utilized by Polkomtel in particular to:
(i) fully repay the outstanding debt under the refinanced Polkomtel's Facilities Agreement dated 17 June 2013;
(ii) fully repay the indebtedness under the senior notes issued on 26 January 2012 by Eileme 2 AB (publ) – a Company's subsidiary („HY Notes Indebtedness"); and
(iii) fund general corporate needs of the Group.

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

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

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

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

i. the maximum amount of the CP Term Facility is PLN 11,500, and the maximum amount of the CP Revolving Facility is PLN 1,000;
ii. the Company and other Group members will establish additional collaterals for the facilities granted on this basis. These collaterals include, in particular, registered pledges on collections of movables and economic interests of variable composition comprised in the enterprise of certain members of the Group, registered and financial pledges on shares in

the Group members, registered and financial pledges on receivables related to bank accounts kept for certain members of the Group, ordinary and registered pledges on selected trademarks, assignments of rights for security, mortgages, notarial submissions to enforcement and similar collaterals on shares (interests) or assets of members of the Group, to be governed by foreign laws.

The CP Term Facility and the CP Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the CP Term Facility and the CP 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. The CP Term Facility and the CP Revolving Facility are to be repaid in quarterly installments of variable value with the final repayment date for each of these facilities set at 21 September 2020.

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

The CP Revolving Facility as at 31 December 2016 was not utilized. The CP Revolving Facility and the PLK Revolving Facility as at 31 December 2015 were not utilized.

In accordance with the provisions of the Amendment, Restatement and Consolidation Deed, the Company, Polkomtel and other members of 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.

Claims related to the CP Facilities Agreement and the PLK Facilities Agreement are secured by collaterals established by the Company, Polkomtel and other members of the Group as a security. A detailed description of the established securities is presented in the Management Report in note 4.6.6.

Agreement with Bank Pekao S.A.

On 7 May 2009 the Company signed an agreement with Bank Pekao S.A. defining rights and obligations of the parties should the Company order the bank to issue a guarantee or a letter of credit. Bank's total commitment regarding the issued guarantees and letters of credit may not exceed PLN 20.0. As at 31 December 2016 the bank issued guarantees in the total amount of PLN 2.6 and EUR 1.2.

Agreement with PKO BP

On 29 November 2012 Company's indirect subsidiary signed a framework agreement with PKO BP S.A. defining rights and obligations of the parties should the company order the bank to issue a guarantee. Bank's total commitment regarding issued guarantees relating to tenders and trade agreements may not exceed PLN 50.0. As at 31 December 2016 the bank issued guarantees in the total amount of PLN 13.8 and EUR 3.5.

On 26 February 2016 Company's indirect subsidiary signed an annex to a framework agreement with PKO BP S.A. defining rights and obligations of the parties should the company order the bank to issue a guarantee. Bank's total commitment regarding issued guarantees relating to tenders and trade agreements may not exceed PLN 3.5. As at 31 December 2016 the bank issued guarantees in the total amount of PLN 3.2.

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

Agreement with ING Bank Śląski S.A.

On 12 February 2014 the Company's indirect subsidiary signed an agreement with ING Bank Śląski S.A. defining rights and obligations of the parties should the company order the bank to issue a guarantee. Bank's total commitment regarding the issued guarantees may not exceed PLN 2.5. As at 31 December 2016 the limit was unutilized.

Early repayment of the loan

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

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

Accession to the loan agreement

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

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

The entities (Midas, Litenite and Aero 2) acceded to the facilities agreement as guarantors only.

31. Issued bonds

	31 December 2016	31 December 2015
Short-term liabilities	42.4	4,776.7
Long-term liabilities	1,835.7	975.3
Total	**1,878.1**	**5,752.0**

Change in issued bonds:

	2016	2015
Issued bonds as at 1 January	**5,752.0**	**5,014.6**
Bonds on acquisition of Litenite Ltd. (see note 37)	1,123.2	-
Bonds (redemption)/issue	(4.484.0)	1,000.0
Repurchase of own bonds by the Group companies**	(328.8)	-
Foreign exchange losses	244.8	223.6
Early redemption fee	(262.1)	244.8
Cumulative catch-up	-	(616.2)
Repayment of interest and commission	(308.7)	(486.2)*
Interest accrued	141.7	371.4
Issued bonds payable as at 31 December	**1,878.1**	**5,752.0**

* includes amount paid for costs related to the new financing

** repurchase of bonds issued by Midas from third parties

Bonds issued by Cyfrowy Polsat S.A.

On 21 July 2015, the Company registered 1,000,000 unsecured series A bearer bonds with a nominal value of PLN 1,000 each (not in millions) and a total nominal value of PLN 1,000,000,000 (not in millions) (the "Bonds") in the securities depository maintained by the National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.). The Bonds mature in 6 years. The redemption date for the Bonds is 21 July 2021. The interest rate is floating and is based on the WIBOR 6M rate, increased by a margin which depends on the Leverage Ratio level (defined in the terms and conditions of the Bonds' issuance).

Events subsequent to the reporting date - Completion of refinancing

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

Purchase of bonds

On 12 May 2016 Cyfrowy Polsat Trade Marks (Company's direct subsidiary) purchased Midas' bonds for the total amount of PLN 221.8.

On 12 May 2016 Polkomtel (Company's indirect subsidiary) purchased Midas' bonds for the total amount of PLN 101.8.

On December 9, 2016 Aero2, legal successor of Midas, exercised an early obligatory redemption of all Midas bonds. As at the date of redemption the majority of Midas bonds were owned by companies from Polsat Group, which had bought them during year 2016.

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

32. Group as a lessor and as a lessee

a) Group as a lessor

Operating lease

The Group entered into contracts with third parties, which are classified as operating leases based on their economic substance. The contracts relate to the rental of reception equipment, lease of premises and call center equipment as well as vehicles. Reception equipment and call center equipment connected with such contracts are presented as part of property, plant and equipment. The premises is classified as operating lease and vehicles are recognized as financial leasing.

Lease contracts for set-top boxes are concluded for a base contractual period ranging from 12 to 29 months. After each base period, the contracts are converted into contracts with either indefinite or definite terms, unless terminated by the subscribers.

Future minimum lease payments with respect to operating lease are as follows:

	31 December 2016	31 December 2015
less than 1 year	37.7	12.7
between 1 and 5 years	12.8	2.7
Total	**50.5**	**15.4**

b) Group as a lessee

Operating leases

The Group entered into agreements, which are classified as operating lease contracts based on their economic substance. Assets leased under these contracts are not recorded in the financial statements. The contracts comprise leases of premises, lease of satellite transponders capacity, vehicles and other equipment as well as lease of land for network locations.

The table below presents a maturity analysis for such commitments:

	31 December 2016	31 December 2015
within one year	445.7	455.0
between 1 to 5 years	997.4	1,125.4
more than 5 years	299.3	381.4
Total	**1,742.4**	**1,961.8**

(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 future minimum payments relating to operating lease agreements to related parties:

	31 December 2016	31 December 2015
within one year	20.3	24.8
between 1 to 5 years	88.2	84.7
more than 5 years	33.4	53.1
Total	**141.9**	**162.6**

In 2016 the Group incurred costs related to operating lease agreements amounting to PLN 419.4 and in 2015 to PLN 405.5.

Finance leases

The total carrying amount of vehicles used under finance lease contracts amounted to PLN 25.3 as at 31 December 2016 and PLN 24.2 as at 31 December 2015.

The lease term is up to 5 years with respect to vehicles and other equipment.

Future minimum lease payments under finance leases are as follows:

	31 December 2016	31 December 2015
less than 1 year	5.0	4.3
between 1 and 5 years	20.8	20.8
Total	**25.8**	**25.1**

The present value of minimum lease payments amounted to PLN 25.8 as at 31 December 2016 and PLN 25.1 as at 31 December 2015.

33. UMTS license liabilities

Future payments	31 December 2016	31 December 2015
30 September 2016	-	119.4
30 September 2017	123.9	119.4
30 September 2018	123.9	119.4
30 September 2019	123.9	119.4
30 September 2020	123.9	119.4
30 September 2021	123.9	119.4
subsequent years	137.0	131.6
Total payments	**756.5**	**848.0**
Amounts representing discount	(61.0)	(78.2)
Discounted minimum payments	**695.5**	**769.8**
Of which:		
Short-term	*121.5*	*117.0*
Long-term	*574.0*	*652.8*

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

UMTS license liability is denominated in EUR. The value of the liability is a subject to annual reduction due to subsequent installments paid to the regulator. UMTS license liability is due in 2022.

34. Other non-current liabilities and provisions

	31 December 2016	31 December 2015
Provisions	120.6	113.9
Other	9.6	10.3
Total	**130.2**	**124.2**

35. Trade and other payables

	31 December 2016	31 December 2015
Trade payables to related parties	9.6	6.2
Trade payables to third parties	241.9	284.1
Taxation and social security payables	156.6	176.1
Payables relating to purchase of programming rights to related parties	1.4	1.4
Payables relating to purchase of programming rights to third parties	75.0	53.0
Payables relating to purchases of tangible and intangible assets	195.8	145.1
Accruals	706.4	594.5
Short-term provisions	130.1	112.1
Derivative instruments (IRS) liabilities (note 38)	-	72.9
Other	52.7	40.0
Total	**1,569.5**	**1,485.4**

Accruals

	31 December 2016	31 December 2015
Salaries	98.5	84.0
License fees and royalties for copyright management organizations	87.1	66.0
Distribution costs	80.0	97.0
Costs of settlements with telecommunication operators	152.3	113.4
Other	288.5	234.1
Total	**706.4**	**594.5**

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

Short-term and long-term provisions

	2016	2015
Opening balance as at 1 January	**225.9**	**259.8**
Acquisition of subsidiary (see note 37)	20.8	0.1
Increases	35.3	7.8
Reversal	(29.4)	(36.0)
Utilisation	(1.9)	(5.8)
Closing balance as at 31 December	**250.7**	**225.9**
Of which:		
Short-term	*130.1*	*112.1*
Long-term	*120.6*	*113.8*

Provisions comprise *inter alia* of provision for license fees, litigation and disputes, warranty provision, provision for dismantling and onerous contracts.

Trade payables and payables relating to purchases of programming rights and non-current assets by currency

Currency	31 December 2016	31 December 2015
PLN	427.9	414.4
USD	69.4	54.7
EUR	22.6	15.3
Other	3.8	5.4
Total	**523.7**	**489.8**

Accruals by currency

Currency	31 December 2016	31 December 2015
PLN	585.3	533.0
EUR	80.4	51.1
USD	21.0	2.0
Other	19.7	8.4
Total	**706.4**	**594.5**

36. Deferred income

	31 December 2016	31 December 2015
Deferred income	668.0	680.8
Of which: *Short-term*	*647.9*	*676.1*
Long-term	*20.1*	*4.7*

Deferred income comprises mainly deferred retail revenue (subscription fees paid in advance, prepaid services and rental fees for set-top boxes) as well as deferred wholesale revenue (prepaid advertising broadcasts).

Other notes

37. Acquisition of a subsidiary

Acquisition of shares in Litenite Limited

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

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

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

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

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

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

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

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

a) Consideration transferred

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

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

b) Reconciliation of transactional cash flow

Cash transferred	(407.5)
Cash and cash equivalents received*	262.2
Cash decrease in the period of 12 months ended 31 December 2016	**(145.3)**

* included restricted cash in the amount of PLN 20.0

c) Fair value valuation of net assets as at acquisition date

The table below presents final 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)

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

	Fair value as at the acquisition date (29 February 2016)
Net assets:	
Property, plant and equipment	542.3
Buildings	86.8
Network systems and equipment	266.2
Other property, plant and equipment	0.1
Assets under construction	189.2
Intangible assets	1,525.9
Software and licenses	2.2
Concessions	1,507.7
Other	0.8
Intangible asset in realization and prepayments	15.2
Other non-current assets	3.7
Deferred tax assets	127.3
Inventory	0.7
Trade receivables and other receivables	101.3
Other current assets	7.7
Cash and equivalents	262.2
Loans and borrowings	(378.7)
Issued bonds (Litenite)	(794.2)
Issued bonds (Midas)	(329.0)
Deferred tax liabilities	(251.6)
Other non-current liabilities and provisions	(19.2)
Trade liabilities and other liabilities	(115.8)
Deferred income	(545.6)
Value of net assets	**137.0**
Value of non-controlling interest in Sferia S.A. and Altalog Sp. z o.o. as at 29 February 2016	**98.3**
Consideration transferred	**407.5**
Goodwill	**368.8**

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

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During the purchase price allocation the Group analyzed the embedded derivative instrument such as the early redemption option of Midas' and Litenite's bonds – the analysis and the accounting standards applied by the Group do not indicate the necessity to recognize the instrument on the balance sheet.

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

The revenue and net loss included in the interim consolidated income statement for the reporting period since 29 February 2016 contributed by Litenite group amounted to PLN 753.3 and PLN 137.5, respectively. Had it been acquired on 1 January 2016 the proforma revenue and net income included in the consolidated income statement for would have amounted to PLN 9,650.1 and PLN 970.6, respectively.

Acquisition of shares in IT Polpager S.A.

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

a) Consideration transferred

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

b) Reconciliation of transactional cash flow

Cash transferred	(10.3)
Cash and cash equivalents received	11.2
Cash increase in the period of 12 months ended 31 December 2016	**0.9**

c) Fair value valuation of net assets as at acquisition date

The table below presents final 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)

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

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

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

The revenue and net loss included in the consolidated income statement for the reporting period since 30 September 2016 contributed by IT Polpager amounted to PLN 3.4 and PLN 0.1, respectively. Had it been acquired on 1 January 2016 the proforma revenue and net income included in the consolidated income statement for would have amounted to PLN 9,729.2 and PLN 1,027.2, respectively.

38. Financial instruments

Overview

Cyfrowy Polsat S.A. Group has exposure to the following risks from its use of financial instruments:
- credit risk,
- liquidity risk,
- market risk:
    (i) currency risk,
    (ii) interest rate risk.

The Group's risk management policies are designed to reduce the impact of any adverse conditions on the Group's results.

The Management Board has overall responsibility for the oversight and management of the risks that the Group is subjected to in its activities. Therefore, the Management Board has established an overall risk management framework as well as specific risk management policies with respect to market, credit and liquidity risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are also included throughout these consolidated financial statements.

Bank loans, bonds, cash, foreign exchange call options, forwards, interest rate swaps and short-term bank deposits are the main financial instruments used by the Group, with the intention of securing the financing for the Group's activities. The

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Group also holds other financial instruments including trade receivables and payables, payables relating to purchases of programming rights and payables relating to purchases of tangible and intangible assets which arise in the course of its business activities.

Financial assets	Carrying amount	
	31 December 2016	31 December 2015
Loans and receivables, including:	**3,397.4**	**3,300.6**
Loans granted	51.8	47.9
Trade and other receivables from related parties	12.5	64.5
Trade and other receivables from third parties	1,996.4	1,664.5
Cash and cash equivalents	1,326.0	1,512.0
Restricted cash	10.7	11.7
Hedging derivative instruments	**1,5**	**-**
Interest rate swaps	1,5	-
Derivative instruments not designated as hedging instruments	**14.7**	**17.4**
Forward transactions	-	10.5
Interest rate swaps	14.7	6.9

Financial liabilities	Carrying amount	
	31 December 2016	31 December 2015
Other financial liabilities measured at amortized cost, including:	**14,464.6**	**14,292.8**
Finance lease liabilities	25.9	25.2
Loans and borrowings	10,572.7	6,610.7
Bonds	1,878.1	5,752.0
UMTS license liabilities	695.5	769.8
Trade and other payables to third parties and deposits	573.9	510.0
Trade and other payables to related parties	12.1	30.6
Accruals	706.4	594.5
Hedging derivative instruments	**-**	**8.3**
Interest rate swaps	-	8.3
Derivative instruments not designated as hedging instruments	**-**	**64.6**
Forward transactions	-	33.3
Interest rate swaps	-	31.3

Credit risk

Credit risk is defined as the risk that counterparties of the Group will not be able to meet their contractual obligations. Exposure to credit risk is related to three main areas:

- the creditworthiness of the customers with whom physical sale transactions are undertaken,
- the creditworthiness of the financial institutions (banks/brokers) with whom, or through whom, hedging or other derivative transactions are undertaken,
- the creditworthiness of the entities in which investments are made, or whose securities are purchased.

The Group's exposure to credit risk is associated primarily with trade receivables. The Parent's customer base includes a large number of individual subscribers who are dispersed geographically over the entire country, and who are required to prepay their subscription fees. Receivables from Parent's sales network are covered with commission liabilities or deposits. Receivables from subscribers are continuously monitored and recovery actions are taken, including blocking of the signal transferred to subscribers or termination of services to a telephony client and Internet customer. Telewizja Polsat and its subsidiaries provide services with deferred payment which may cause the risk of delays. Assessment of the creditworthiness of the counterparties is regularly carried out and in principle the company does not require security in relation to the financial assets. Polkomtel's customer base is dispersed geographically over the entire country. In case of important postpaid clients services are rendered following positive credit approval while in case of individual retail clients the verification process is automatized and based on IT-supported customer relationship management system and characteristics of the billing systems. Receivables from Polkomtel's sales network are continuously monitored; sales limits and utilization limits are used.

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The Group pursues a credit policy under which credit risk exposure is constantly monitored.

Due to diversification of risk in terms of the nature of individual entities, their geographical location and cooperation with highly-rated financial institutions, also taking into consideration the fair value of liabilities arising from derivative transactions, the Group is not materially exposed to credit risk as a result of derivative transactions entered into.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at the reporting date was as follows:

Maximum exposure to credit risk

	Carrying amount	
	31 December 2016	**31 December 2015**
Loans granted	51.8	47.9
Trade and other receivables from third parties	12.5	64.5
Trade and other receivables from related parties	1,996.4	1,664.5
Cash and cash equivalents	1,326.0	1,512.0
Restricted cash	10.7	11.7
Derivative instruments not designated as hedging instruments:	**14.7**	**17.4**
Forward transactions	-	10.5
Interest rate swaps	14.7	6.9
Total	**3,412.1**	**3,318.0**

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

The concentration of credit risk for trade and other receivables is presented in the tables below:

	Carrying amount	
	31 December 2016	**31 December 2015**
Receivables from subscribers	1,232.0	906.1
Receivables from media companies	238.7	221.0
Receivables from satellite and cable operators	21.2	13.7
Roaming and interconnect receivables	166.9	177.3
Receivables from distributors	121.6	153.2
Receivables and loans granted to related parties	63.9	112.2
Other receivables and loans granted to third parties	216.4	193.4
Total	**2,060.7**	**1,776.9**

	Carrying amount	
	31 December 2016	**31 December 2015**
Company A	44.0	54.4
Company B	29.5	31.4
Company C	25.3	28.9
Company D	22.8	21.0
Company E	21.9	18.6
Other	1,917.2	1,622.6
Total	**2,060.7**	**1,776.9**

Note: for each year 5 largest debtors are presented, not necessarily the same entities in both periods.

The ageing of trade and other receivables at the reporting date was:

	31 December 2016			31 December 2015		
	Gross	**Impairment**	**Net**	**Gross**	**Impairment**	**Net**
Not past due	1,703.6	29.9	1,673.7	1,381.0	23.9	1,357.1
Past due 0-30 days	216.4	4.8	211.6	192.2	6.0	186.2
Past due 31-60 days	86.2	4.9	81.3	84.3	7.0	77.3
Past due more than 60 days	158.5	64.4	94.1	232.7	76.4	156.3
Total	**2,164.7**	**104.0**	**2,060.7**	**1,890.2**	**113.3**	**1,776.9**

Credit quality of such not overdue receivables that are not impaired is very good.

Trade and other receivables with recognized impairment include not past due and past due trade and other receivables where partial recoverability is estimated. Usually impairment is recognized for trade and other receivables past due for more than 60 days or for trade and other receivables for which impairment indicator exists.

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Liquidity risk

The Group's objective in liquidity management is to ensure that it always has sufficient funds to meet its liabilities when due. Any surplus cash is invested mainly into bank deposits.

The Group prepares, on an ongoing basis, analyses and forecasts of its cash requirements based on projected cash flows.

The following are the contractual maturities of the Group's financial liabilities.

	31 December 2016						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	10,572.7	11,716.9	637.8	659.0	1,371.0	9,049.1	-
Bonds	1,878.1	2,739.9	21.6	21.4	43.1	1,129.4	1,524.4
UMTS license liabilities	695.5	756.5	-	123.9	123.9	371.7	137.0
Finance lease liabilities	25.9	27.7	3.0	2.8	9.7	12.2	-
Trade and other payables to third parties and deposits	573.9	573.9	573.9	-	-	-	-
Trade and other payables to related parties	12.1	12.1	12.1	-	-	-	-
Accruals	706.4	706.4	706.4	-	-	-	-
Hedging derivative instruments:							
IRS*	-	-	-	-	-	-	-
Derivative instruments not designated as hedging instruments:							
IRS*	-	-	-	-	-	-	-
Forward transactions							
– inflows	-	-	-	-	-	-	-
– outflows	-	-	-	-	-	-	-
	14,464.6	**16,533.4**	**1,954.8**	**807.1**	**1,547.7**	**10,562.4**	**1,661.4**

* pursuant to the agreements settlements shall be on a net basis

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

	31 December 2015						
	Carrying amount	Contractual cash flows	6 months and less	6-12 months	1-2 years	2-5 years	Over 5 years
Loans and borrowings	6,610.7	8,603.2	(3,883.8)**	642.4	1,336.3	10,508.3	-
Bonds	5,752.0	6,018.7	4,783.8**	21.3	85.4	1,128.2	-
UMTS license liabilities	769.8	848.0	-	119.3	119.3	358.0	251.4
Finance lease liabilities	25.2	26.5	2.4	2.4	4.9	16.8	-
Trade and other payables to third parties and deposits	510.0	510.0	510.0	-	-	-	-
Trade and other payables to related parties	30.6	30.6	30.6	-	-	-	-
Accruals	594.5	594.5	594.5	-	-	-	-
Hedging derivative instruments:							
IRS*	8.3	6.6	4.4	2.2	-	-	-
Derivative instruments not designated as hedging instruments:							
IRS*	31.3	30.7	30.7	-	-	-	-
Forward transactions	33.3						-
– inflows	-	(2,411.7)	(2,411.7)	-	-	-	-
– outflows	-	2,446.7	2,446.7	-	-	-	-
	14,365.7	**16,668.8**	**2,107.6**	**787.6**	**1,545.9**	**12,011.3**	**251.4**

* pursuant to the agreements settlements shall be on a net basis

** planned earlier redemption of Notes financed using the funds made available under the PLK Term Facility

Market risk

The Group has an active approach to managing its market risk exposure. The objectives of market risk management are:

- to limit fluctuations in profit/loss before tax,
- to increase the probability of meeting budget assumptions,
- to maintain the healthy financial condition and
- to support the process of undertaking strategic decisions relating to investing activity, with attention to sources of capital for this activity.

All the market risk management objectives should be considered as a whole, while their realisation is dependant primarily upon the internal situation and market conditions.

The Group applies an integrated approach to market risk management. This means a comprehensive approach to the whole spectrum of identified market risks, rather than to each of them individually. The primary technique for market risk management is the use in the Group of hedging strategies involving derivatives. Apart from this, natural hedging is also used to the extent available.

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

All of the potential hedging strategies and the selection of those preferred reflect the following factors: the nature of identified market risk exposures of the Group, the suitability of instruments to be applied and the cost of hedging, current and forecasted market conditions. In order to mitigate market risk, derivatives are primarily used. The Group transacts only those derivatives for which it has the ability to assess their value internally, using standard pricing models appropriate for a particular type of derivative, and also these which can be traded without significant loss of value with a counterparty other than the one with whom the transaction was initially entered into. In evaluating the market value of a given instrument, the Group relies on information obtained from particular market leading banks, brokers and information services.

It is permitted to use the following types of instruments:

- Swaps (IRS/CIRS),
- Forwards and futures,
- Options.

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Parent's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchases of reception equipment and accessories for reception equipment (USD and EUR). After the purchase of Telewizja Polsat Sp. z o.o. currency risk exposure is also associated to purchases of foreign programming licences (USD). After the purchase of Metelem Holding Company Ltd. currency risk exposure is also associated to UMTS license liabilities (EUR), agreements with suppliers of stock, mainly mobile phones, and suppliers of telecommunication network equipment (EUR), roaming and interconnect agreements and some agreements concerning rental of space required for network locations and rental of office space (various currencies). Furthermore, acquisition of Metelem Holding Company Ltd. resulted in risk exposure related to EUR- and USD-denominated bonds.

In respect of licence fees and transponder capacity leases, the Group partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies.

The Group does not hold any assets held for trading denominated in foreign currencies.

The Group's exposure to foreign currency was as follows based on currency amounts:

	31 December 2016					
	EUR	**USD**	**CHF**	**GBP**	**SEK**	**XDR**
Trade receivables	5.8	4.5	-	0.5	-	0.4
Cash and cash equivalents	3.3	18.0	1.1	0.4	1.5	-
UMTS license liabilities	(157.2)	-	-	-	-	-
Trade payables	(5.1)	(16.6)	-	-	-	(0.6)
Gross balance sheet exposure	**(153.2)**	**5.9**	**1.1**	**0.9**	**1.5**	**(0.2)**
Forward transactions	-	-	-	-	-	-
Net exposure	**(153.2)**	**5.9**	**1.1**	**0.9**	**1.5**	**(0.2)**

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	31 December 2015					
	EUR	**USD**	**CHF**	**GBP**	**SEK**	**XDR**
Trade receivables	9.4	8.4	-	-	-	0.5
Cash and cash equivalents	9.7	9.7	1.9	0.1	2.5	-
Senior Notes	(569.1)	(524.2)	-	-	-	-
UMTS license liabilities	(180.6)	-	-	-	-	-
Trade payables	(3.6)	(14.0)	-	(0.1)	-	(0.9)
Gross balance sheet exposure	**(734.2)**	**(520.1)**	**1.9**	**-**	**2.5**	**(0.4)**
Forward transactions	390.9	482.1	-	-	-	-
Net exposure	**(343.3)**	**(38.0)**	**1.9**	**-**	**2.5**	**(0.4)**

The following foreign exchange rates were applied in the presented periods:

	Average rate		Rates at the reporting date	
(in PLN)	**2016**	**2015**	**31 December 2016**	**31 December 2015**
1 EUR	4.3625	4.1839	4.4240	4.2615
1 USD	3.9431	3.7701	4.1793	3.9011
1 GBP	5.3431	5.7637	5.1445	5.7862
1 CHF	4.0021	3.9200	4.1173	3.9394
1 XDR	5.4805	5.2749	5.6716	5.4092
1 SEK	0.4611	0.4474	0.4619	0.4646
1 AUD	2.9330	2.8352	3.0180	2.8546

For the purposes of the exchange rate sensitivity analysis as at 31 December 2016 and 31 December 2015, exchange rate volatility in the +/- 5% range was assumed as probable. This analysis assumes that all other variables, in particular interest rates, remain constant.

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

	2016					2015				
	As at 31 December 2016		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	As at 31 December 2015		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
	in currency	in PLN				in currency	in PLN			
Trade receivables										
EUR	5.8	25.8	5%	1.3	-	9.4	40.2	5%	2.0	-
USD	4.5	18.8	5%	0.9	-	8.4	32.7	5%	1.6	-
XDR	0.4	2.3	5%	0.1	-	0.5	2.6	5%	0.1	-
GBP	0.5	2.6	5%	0.1	-	-	-	5%	-	-
Cash and cash equivalents										
EUR	3.3	14.6	5%	0.7	-	9.7	41.2	5%	2.1	-
USD	18.0	75.2	5%	3.8	-	9.7	37.9	5%	1.9	-
CHF	1.1	4.7	5%	0.2	-	1.9	7.3	5%	0.4	-
GBP	0.4	1.9	5%	0.1	-	0.1	0.1	5%	-	-
SEK	1.5	0.7	5%	-	-	2.5	1.1	5%	0.1	-
Senior Notes										
EUR	-	-	5%	-	-	(569.1)	(2,425.2)	5%	(121.3)	-
USD	-	-	5%	-	-	(524.2)	(2,045.0)	5%	(102.3)	-
UMTS license liabilities										
EUR	(157.2)	(695.5)	5%	(34.8)	-	(180.6)	(769.6)	5%	(38.5)	-
Trade payables										
EUR	(5.1)	(22.6)	5%	(1.1)	-	(3.6)	(15.3)	5%	(0.8)	-
USD	(16.6)	(69.4)	5%	(3.5)	-	(14.0)	(54.7)	5%	(2.7)	-
XDR	(0.6)	(3.2)	5%	(0.2)	-	(0.9)	(4.9)	5%	(0.2)	-
CHF	-	-	5%	-	-	(0.1)	(0.2)	5%	-	-
Change in operating profit				**(32.4)**	**-**				**(257.6)**	**-**

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

Forwards										
EUR	-	-	5%	-	-	390.9	1,665.8	5%	83.3	-
USD	-	-	5%	-	-	482.1	1,880.7	5%	94.0	-
Income tax				6.2	-				15.3	-
Change in net profit				**(26.2)**	**-**				**(65.0)**	**-**

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

	2016					2015				
	As at 31 December 2016		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN	As at 31 December 2015		Estimated change in exchange rate in %	Estimated change in profit in PLN	Estimated change in other comprehensive income in PLN
	in currency	in PLN				in currency	in PLN			
Trade receivables										
EUR	5.8	25.8	-5%	(1.3)	-	9.4	40.2	-5%	(2.0)	-
USD	4.5	18.8	-5%	(0.9)	-	8.4	32.7	-5%	(1.6)	-
XDR	0.4	2.3	-5%	(0.1)	-	0.5	2.6	-5%	(0.1)	-
GBP	0.5	2.6	-5%	(0.1)	-	-	-	-5%	-	-
Cash and cash equivalents										
EUR	3.3	14.6	-5%	(0.7)	-	9.7	41.2	-5%	(2.1)	-
USD	18.0	75.2	-5%	(3.8)	-	9.7	37.9	-5%	(1.9)	-
CHF	1.1	4.7	-5%	(0.2)	-	1.9	7.3	-5%	(0.4)	-
GBP	0.4	1.9	-5%	(0.1)	-	0.1	0.1	-5%	-	-
SEK	1.5	0.7	-5%	-	-	2.5	1.1	-5%	(0.1)	-
Senior Notes										
EUR	-	-	-5%	-	-	(569.1)	(2,425.2)	-5%	121.3	-
USD	-	-	-5%	-	-	(524.2)	(2,045.0)	-5%	102.3	-
UMTS license liabilities										
EUR	(157.2)	(695.5)	-5%	34.8	-	(180.6)	(769.6)	-5%	38.5	-

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

Trade payables										
EUR	(5.1)	(22.6)	-5%	1.1	-	(3.6)	(15.3)	-5%	0.8	-
USD	(16.6)	(69.4)	-5%	3.5	-	(14.0)	(54.7)	-5%	2.7	-
XDR	(0.6)	(3.2)	-5%	0.2		(0.9)	(4.9)	-5%	0.2	-
CHF	-	-	-5%	-	-	(0.1)	(0.2)	-5%	-	-
Change in operating profit				**32.4**	**-**				**257.6**	**-**
Forwards										
EUR	-	-	-5%	-	-	390.9	1,665.8	-5%	(83.3)	-
USD	-	-	-5%	-	-	482.1	1,880.7	-5%	(94.0)	-
Income tax				(6.2)	-				(15.3)	-
Change in net profit				**26.2**	**-**				**65.0**	**-**

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

	2016		2015	
	Estimated change in profit in PLN	**Estimated change in other comprehensive income in PLN**	**Estimated change in profit in PLN**	**Estimated change in other comprehensive income in PLN**
Estimated change in exchange rate by 5 %				
EUR	(27.5)	-	(59.2)	-
USD	1.0	-	(6.0)	-
CHF	0.2	-	0.3	-
GBP	0.2	-	-	-
SEK	-	-	-	-
XDR	(0.1)	-	(0.1)	-
Estimated change in exchange rate by -5 %				
EUR	27.5	-	59.2	-
USD	(1.0)	-	6.0	-
CHF	(0.2)	-	(0.3)	-
GBP	(0.2)	-	-	-
SEK	-	-	-	-
XDR	0.1	-	0.1	-

Had Polish zloty strengthened 5% against the basket of currencies as at 31 December 2016 and 31 December 2015, the Group's net profit would have decreased by PLN 26.2 and decreased by PLN 65.0, respectively and other comprehensive income would have been unchanged in 2016 and would have been unchanged in 2015. Had the Polish zloty weakened 5%, the Group's net profit would have correspondingly increased by PLN 26.2 in 2016 and increased by PLN 65.0 in 2015 and other comprehensive income would have been unchanged in 2016 and would have been unchanged in 2015, assuming that all other variables remain constant. Estimated future revenue and costs denominated in foreign currencies are not taken into consideration.

Interest rate risk

Changes in market interest rates have no direct effect on the Group's revenues, however, they do have an effect on net cash from operating activities due to interest earned on overnight bank deposits and current accounts, and on net cash from financing activities due to interest charged on bank loans and bonds.

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

In order to reduce interest rate risk exposure resulting from Parent's interest payments on floating rate senior facility, the Group stipulated interest rate swaps for which hedge accounting was adopted (see note 29). In order to reduce interest rate risk exposure resulting from Metelem Holding Company Ltd. group interest payments on floating rate senior facilities the Group also uses interest rate swaps and for them hedge accounting was not adopted.

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At the reporting date, the interest rate risk profile of interest-bearing financial instruments was:

	Carrying amount	
	31 December 2016	31 December 2015
Fixed rate instruments		
Financial assets	472.3	1,158.5
Financial liabilities*	(860.3)	(4,262.4)
Variable rate instruments		
Financial assets*	909.8	411.5
Financial liabilities*	(11,668.2)	(7,725.1)
Net interest exposure	**(11,146.4)**	**(7,313.6)**

* nominal debt

The Group classifies loan liabilities as variable rate instruments. Changes in the interest rate components do not result in a change in the carrying amount of the loan liability. The changes are reflected prospectively in the interest expense on loans and borrowings.

Cash flow sensitivity analysis for variable rate instruments (pre-tax effect):

	Income statement		Other comprehensive income		Equity	
	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp	Increase by 100 bp	Decrease by 100 bp
31 December 2016						
Variable rate instruments*	(107.6)	107.6	3.7	(3.7)	(103.9)	103.9
Cash flow sensitivity (net)	(107.6)	107.6	3.7	(3.7)	(103.9)	103.9
31 December 2015						
Variable rate instruments*	(73.1)	73.1	6.6	(6.6)	(66.5)	66.5
Cash flow sensitivity (net)	**(73.1)**	**73.1**	**6.6**	**(6.6)**	**(66.5)**	**66.5**

* include sensitivity in fair value changes of hedging instruments (interest rate swaps) due to changes in interest rates

For some instruments the Group applies cash flow hedge model under IAS 39 for interest rate exposure from floating rate interest payments in PLN on senior facility hedged by interest rate swap.

Fair value vs. carrying amount

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

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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 assets and liabilities not measured in fair value.

			31 December 2016		31 December 2015	
	Category according to IAS 39	**The level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted	A	2	53.0	51.8	50.7	47.9
Trade and other receivables	A	*	2,008.9	2,008.9	1,729.0	1,729.0
Cash and cash equivalents and short-term deposits	A	*	1,326.0	1,326.0	1,512.0	1,512.0
Restricted cash	A	*	10.7	10.7	11.7	11.7
Loans and borrowings	C	2	(10,651.7)	(10,572.7)	(6,733.1)	(6,610.7)
Issued bonds	C	1,2**	(2,076.3)	(1,878.1)	(5,773.0)	(5,752.0)
UMTS licence liabilities	C	2	(755.4)	(695.5)	(836.6)	(769.8)
Finance lease liabilities	C	2	(25.8)	(25.9)	(25.2)	(25.2)
Accruals	C	*	(706.4)	(706.4)	(594.5)	(594.5)
Trade and other payables and deposits	C	*	(586.0)	(586.0)	(540.6)	(540.6)
Total			**(11,403.0)**	**(11,067.2)**	**(11,199.6)**	**(10,992.2)**
Unrecognized gain/(loss)				(335.8)		(207.4)

A – loans and receivables

B – hedges

C – other liabilities

* It is assumed that the fair value of these financial assets and liabilities is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value

** As at 31 December 2016, bonds issued by Cyfrowy Polsat are included in level 1 of the fair value hierarchy whereas bonds issued by Litenite are included in level 2 of the fair value hierarchy. As at 31 December 2015, bonds issued by Cyfrowy Polsat are included in level 1 of the fair value hierarchy whereas bonds issued by Polkomtel are included in level 2 of the fair value hierarchy

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

Trade and other receivables, 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.

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

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

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

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

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

Assets measured at fair value	**31 December 2016**	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments:				
Interest rate swaps		-	14.7	-
Hedging derivative instruments:				
Interest rate swaps		-	1.5	-
Total		**-**	**16.2**	**-**

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.

As at 31 December 2015, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	**31 December 2015**	**Level 1**	**Level 2**	**Level 3**
Derivative instruments not designated as hedging instruments:				
Forwards		-	10.5	-
Interest rate swaps		-	6.9	-
Total		**-**	**17.4**	**-**

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Liabilities measured at fair value

	31 December 2015	Level 1	Level 2	Level 3
Derivative instruments not designated as hedging instruments:				
Forwards		-	(33.3)	-
Interest rate swaps		-	(31.3)	-
Hedging derivative instruments:				
Interest rate swaps		-	(8.3)	-
Total		**-**	**(72.9)**	**-**

Items of income, costs, profit and losses recognized in profit or loss generated by loans and bonds (including hedging transactions)

For the period from 1 January 2016 to 31 December 2016	Loans and borrowings	Bonds	Hedging instruments	Derivative instruments not designated as hedging instruments	**Total**
Interest expense on loans and borrowings	(401.7)	-	(7.3)	(10.3)	**(419.3)**
Interest expense on bonds	-	(141.7)	-	(218.3)	**(360.0)**
Foreign exchange rate differences	-	(244.8)	-	-	**(244.8)**
Total finance costs	(401.7)	(386.5)	(7.3)	(228.6)	**(1,024.1)**
Total gross profit/(loss)	(401.7)	**(386.5)**	**(7.3)**	**(228.6)**	**(1,024.1)**
Hedge valuation reserve	**-**	**-**	**(9.8)**	-	**(9.8)**

For the period from 1 January 2015 to 31 December 2015	Loans and borrowings	Bonds	Hedging instruments	**Total**
Interest expense on loans and borrowings	(396.4)	-	(7.8)	**(404.2)**
Interest expense on bonds	-	(371.4)	-	**(371.4)**
Early redemption costs	-	(244.8)	-	**(244.8)**
Cumulative catch-up	-	616.2	-	**616.2**
Foreign exchange rate differences	-	(223.6)	-	**(223.6)**
Total finance costs	(396.4)	(223.6)	(7.8)	**(627.8)**
Total gross profit/(loss)	**(396.4)**	**(223.6)**	**(7.8)**	**(627.8)**
Hedge valuation reserve	**-**	**-**	**(6.6)**	**(6.6)**

Hedge accounting and derivatives

Cash Flow Hedge of interest rate risk of interest payments

At 31 December 2016, the Group held a number of interest rate swaps not designated as hedges in order to reduce the risk of floating interest payments on senior facilities denominated in PLN.

Table below presents the basic parameters of IRS not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

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

	31 December 2016	31 December 2015
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument	3,000.0	4,972.0
Fair value of hedging instruments	14.6	(24.4)
Hedge accounting approach	Hedge accounting not adopted	Hedge accounting not adopted
Expected period the hedge item affect income statement	Until 30 September 2019	Until 28 September 2018

At 31 December 2016, the Group held a number of interest rate swaps designated as hedges of floating interest payments on senior facility denominated in PLN. The interest rate swaps are being used to hedge the interest rate risk of the Group's floating rate financing in PLN.

The terms of the interest rate swaps have been negotiated to match the terms of the floating rate financing in PLN. There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the income statement.

Table below presents the basic parameters of IRS designated as hedging instruments, including the periods in which cash flows occur due to cash flow hedges, periods they will affect the financial results and fair value in PLN of hedging instruments as at the balance sheet date.

	31 December 2016	31 December 2015
Type of instrument	Interest rate swap	Interest rate swap
Exposure	Floating rate interest payments in PLN	Floating rate interest payments in PLN
Hedged risk	Interest rate risk	Interest rate risk
Notional value of hedging instrument	250.0	975.0
Fair value of hedging instruments	1.5	(8.3)
Hedge accounting approach	Cash Flow Hedge	Cash Flow Hedge
Expected period the hedge item affect income statement	Until 30 September 2018	Until 31 December 2016

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

Change in fair value of cash flow hedges is presented below (pre-tax):

	2016	2015
Opening Balance	**(8.3)**	**(15.4)**
Effective part of gains or losses on the hedging instrument	1.5	(0.6)
Reclassification to instruments for which hedge accounting is not adopted	-	0.1
Early settlement	-	-
Amounts recognized in equity transferred to the profit and loss statement, of which:	8.3	7.6
- adjustment of interest costs	8.3	7.6
- adjustment due to inefficiency of the hedge relationships	-	-
Closing Balance	**1.5**	**(8.3)**

Cash Flow Hedge of foreign exchange risk of interest payments

At 31 December 2015 the Group held a number of forwards not designated as hedges in order to reduce the risk of interest payments on EUR- and USD-denominated bonds.

Tables below present the basic parameters of forwards not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2016	31 December 2015
Type of instrument	-	Forward
Exposure	-	Interest payments in euro
Hedged risk	-	Foreign exchange risk
Notional value of hedging instrument (EUR)	-	381.9
Fair value of hedging instruments	-	0.2
Hedge accounting approach	-	Hedge accounting not adopted
Expected period the hedge item affect income statement	-	Until 27 January 2016

	31 December 2016	31 December 2015
Type of instrument	-	Forward
Exposure	-	Interest payments in American dollars
Hedged risk	-	Foreign exchange risk
Notional value of hedging instrument (EUR)	-	479.1
Fair value of hedging instruments	-	(23.2)
Hedge accounting approach	-	Hedge accounting not adopted
Expected period the hedge item affect income statement	-	Until 27 January 2016

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

Cash Flow Hedge of foreign exchange risk of operational payments

At 31 December 2015 the Group held a number of forwards not designated as hedges in order to reduce the risk of operational payments in EUR and USD.

Tables below present the basic parameters of forwards not designated as hedging instruments, including the periods in which cash flows occur, periods they will affect the financial results and their fair value in PLN as at the balance sheet date.

	31 December 2016	31 December 2015
Type of instrument	-	Forward
Exposure	-	Operational payments in euro
Hedged risk	-	Foreign exchange risk
Notional value of hedging instrument (EUR)	-	9.0
Fair value of hedging instruments	-	0.1
Hedge accounting approach	-	Hedge accounting not adopted
Expected period the hedge item affect income statement	-	Until 18 March 2016

	31 December 2016	31 December 2015
Type of instrument	-	Forward
Exposure	-	Operational payments in American dollars
Hedged risk	-	Foreign exchange risk
Notional value of hedging instrument (EUR)	-	3.0
Fair value of hedging instruments	-	0.1
Hedge accounting approach	-	Hedge accounting not adopted
Expected period the hedge item affect income statement	-	Until 18 March 2016

39. Capital management

This note presents information about the Group’s management of capital. Further quantitative disclosures are also included throughout these financial statements.

The goal of capital management is to maintain the Group’s ability to operate as a going concern in order to provide the shareholders return on investment as well as benefits for other stakeholders. The Group might issue shares, increase debt or sell assets in order to maintain or improve the equity structure.

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

The Group monitors capital on the basis of leverage ratio, which is calculated as a ratio of net debt to sum of equity and net debt. Net debt represents interest-bearing loans and borrowings and issued bonds less cash and cash equivalents (including restricted cash).

	Carrying amount	
	31 December 2016	**31 December 2015**
Loans and borrowings	10,572.7	6,610.7
Bonds	1,878.1	5,752.0
Cash and cash equivalents and restricted cash	(1,336.7)	(1,523.7)
Net debt	**11,114.1**	**10,839.0**
Equity	11,377.6	10,250.1
Equity and net debt	**22,491.7**	**21,089.1**
Leverage ratio	**0.49**	**0.51**

40. Operating segments

The Group operates in the following two segments:

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

The Group conducts its operating activities primarily in Poland.

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

Services to individual and business customers segment includes:

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

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

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

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the year ended 31 December 2016:

The year ended 31 December 2016	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	8,440.4	1,289.4	-	9,729.8
Inter-segment revenues	35.4	194.6	(230.0)	-
Revenues	**8,475.8**	**1,484.0**	**(230.0)**	**9,729.8**
EBITDA (unaudited)	**3,077.4**	**563.4**	**-**	**3,640.8**
Depreciation, amortization, impairment and liquidation	1,929.6	41.9	-	1,971.5
Profit from operating activities	**1,147.8**	**521.5**	**-**	**1,669.3**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	717.2*	27.7	-	744.9
Balance as at 31 December 2016				
Assets, including:	23.324.5	4,459.9**	(55.1)	**27,729.3**
Investments in joint venture	-	5.9	-	5.9

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

** includes non-current assets located outside of Poland in the amount of PLN 14.5

All material revenues are generated in Poland.

It should be noted that the year ended 31 December 2016 is not comparable to the year ended 31 December 2015 as Radio PIN was acquired on 27 February 2015 (allocated to the Broadcasting and television production segment), Orsen Holding Limited was acquired on 1 April 2015 (allocated to the Services to individual and business customers segment), Litenite Ltd. was acquired on 29 February 2016 (allocated to the Services to individual and business customers segment) and IT Polpager S.A. was acquired on 30 September 2016 (allocated to the Services to individual and business customers segment).

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

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the year ended 31 December 2015:

The year ended 31 December 2015	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	8,675.5	1,147.5	-	9,823.0
Inter-segment revenues	33.7	152.4	(186.1)	-
Revenues	**8,709.2**	**1,299.9**	**(186.1)**	**9,823.0**
EBITDA (unaudited)	**3,240.0**	**445.1**	**-**	**3,685.1**
Depreciation, amortization, impairment and liquidation	1,660.5	38.8	-	1,699.3
Profit from operating activities	**1,579.5**	**406.3**	**-**	**1,985.8**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	688.3*	31.9	-	720.2
Balance as at 31 December 2015				
Assets, including:	22,110.8	4,421.8**	(42.5)	**26,490.1**
Investments in joint venture	-	5.9	-	5.9

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

** includes non-current assets located outside of Poland in the amount of PLN 15.9

Reconciliation of EBITDA and Net profit for the period:

	for the year ended	
	31 December 2016	**31 December 2015**
EBITDA (unaudited)	**3,640.8**	**3,685.1**
Depreciation, amortization, impairment and liquidation (note 10)	(1,971.5)	(1,699.3)
Profit from operating activities	**1,669.3**	**1,985.8**
Other foreign exchange rate differences, net (note 11)	(63.5)	(0.7)
Share of the profit of joint venture accounted for using the equity method	-	2.6
Cumulative catch-up (note 12)	-	616.2
Interest costs, net (note 11 and 12)	(495.8)	(756.0)
Valuation and realization of derivatives not used in hedge accounting – relating to principal (note 12)	203.8	-
Foreign exchange differences on issued bonds (note 12)	(244.8)	(223.6)
Early redemption costs (note 12)	-	(244.8)
Other	(35.6)	(47.1)
Gross profit for the period	**1,033.4**	**1,332.4**
Income tax	(12.4)	(169.0)
Net profit for the period	**1,021.0**	**1,163.4**

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

41. Barter transactions

The Group is a party to barter transactions. The table below presents revenues and costs of barter transactions executed on an arm's-length basis. Revenue comprise revenue from services, products, goods and materials sold, costs comprise selling expenses.

	for the year ended	
	31 December 2016	**31 December 2015**
Revenues from barter transactions	53.2	59.9
Cost of barter transactions	53.3	60.9

	31 December 2016	**31 December 2015**
Barter receivables	24.1	14.3
Barter payables	10.8	5.7

42. Transactions with related parties

Receivables

	31 December 2016	**31 December 2015**
Joint ventures	1.3	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.	11.2	61.9
Total*	**12.5**	**64.5**

* amounts presented above do not include deposits paid (31 December 2016 – PLN 3.4, 31 December 2015 – PLN 3.3)

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

Other assets

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

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

Liabilities

	31 December 2016	**31 December 2015**
Joint ventures	1.5	1.9
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	27.3	28.7
Total	**28.8**	**30.6**

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

Loans granted

	31 December 2016	31 December 2015
Joint ventures	48.3	43.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	3.1	0.4
Total	**51.4**	**43.4**

Issued bonds

	31 December 2016	31 December 2015
Entities controlled by a person (or a close member of that person's family) or persons who have control, joint control or significant influence over Cyfrowy Polsat S.A.	792.2	-
Total	**792.2**	**-**

Liabilities relate to bond issued by Litenite Ltd.

Revenues

	for the year ended	
	31 December 2016	31 December 2015
Subsidiaries*	84.6	1.8
Joint ventures	0.9	1.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	13.3	482.9
Total	**98.8**	**486.3**

* concerns transaction with subsidiaries (under common control) executed prior to their acquisition

In both years the most significant transactions include revenues from sharing base transceiver stations and radio module, services relating to expansion of telecommunication network, sale of advertisements and revenues from audiotext services.

Expenses and purchases of programming assets

	for the year ended	
	31 December 2016	31 December 2015
Subsidiaries*	120.2	6.5
Joint ventures	4.3	7.4
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.	224.4	690.6
Total	**348.9**	**704.5**

* concerns transaction with subsidiaries (under common control) executed prior to their acquisition

In 12 months ended 31 December 2016 the most significant transactions include data transfer services, property rental, cost of electrical energy, expenses for programming assets and advertising services.

In 12 months ended 31 December 2015 the most significant transactions include data transfer services, expenses for programming assets, advertising services, property rental, cost of electrical energy, telephone customer care services and commission fees.

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

Gain on investment activities, net

	for the year ended	
	31 December 2016	**31 December 2015**
Joint ventures	2.9	2.2
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.	0.7	0.1
Total	**3.6**	**2.3**

Finance costs

	for the year ended	
	31 December 2016	**31 December 2015**
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.	61.2	0.1
Total	**61.2**	**0.2**

The acquisition of shares in Litenite Ltd. was presented in note 37.

43. Contingent liabilities

Management believes that the provisions as at 31 December 2016 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

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

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

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

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

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

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

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

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

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

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

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.

44. Remuneration of the Management Board

The table below presents the Management Board's remuneration.

Name	Function	2016	2015
Tobias Solorz	President of the Management Board (from 8 December 2015), Vice-President of the Management Board (from 10 December 2014 to 7 December 2015)	1.5	1.5
Dariusz Działkowski	Member of the Management Board	0.6	0.7
Tomasz Gillner-Gorywoda	Member of the Management Board (from 8 December 2015),President of the Management Board (from 28 October 2014 to 7 December 2015)	1.2	1.3
Aneta Jaskólska	Member of the Management Board	0.9	0.9
Agnieszka Odorowicz	Member of the Management Board (from 1 March 2016)	0.5	-
Katarzyna Ostap-Tomann	Member of the Management Board (from 1 October 2016)	0.2	-
Maciej Stec	Member of the Management Board	0.9	0.8
Tomasz Szeląg	Member of the Management Board (until 30 September 2016)	0.7	0.9
Total		**6.5**	**6.1**

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

The amounts of bonuses and other remuneration payable to each member of the Management Board for 2016 and 2015 are presented below:

Name	Function	2016	2015
Tobias Solorz	President of the Management Board (from 8 December 2015), Vice-President of the Management Board (from 10 December 2014 to 7 December 2015)	5.0	3.5
Dariusz Działkowski	Member of the Management Board	1.0	1.0
Tomasz Gillner-Gorywoda	Member of the Management Board (from 8 December 2015),President of the Management Board (from 28 October 2014 to 7 December 2015)	1.5	2.1
Aneta Jaskólska	Member of the Management Board	1.8	1.5
Agnieszka Odorowicz	Member of the Management Board (from 1 March 2016)	0.5	-
Katarzyna Ostap-Tomann	Member of the Management Board (from 1 October 2016)	1.2	-
Maciej Stec	Member of the Management Board	1.6	1.1
Tomasz Szeląg	Member of the Management Board (until 30 September 2016)	4.1	3.2
Total		**16.7**	**12.4**

45. Remuneration of the Supervisory Board

The Supervisory Board receives remuneration based on the resolution of the Extraordinary General Shareholders' Meeting of Cyfrowy Polsat S.A. dated 5 September 2007. On 29 June 2016 the Annual General Meeting adapted the resolution concerning changes in remuneration of members of the Supervisory Board.

Presented below total remuneration payable to the Supervisory Board members in 2016 and 2015:

Name	Function	2016	2015
Zygmunt Solorz	President of the Supervisory Board (until 30 September 2016)	0.15	0.18
Marek Kapuściński	President of the Supervisory Board (from 25 October 2016), Member of the Supervisory Board (from 1 October 2016 to 24 October 2016)	0.06	-
Józef Birka	Member of the Supervisory Board (from 3 April 2015)	0.15	0.09
Robert Gwiazdowski	Independent Member of the Supervisory Board	0.15	0.12
Aleksander Myszka	Member of the Supervisory Board (from 3 April 2015)	0.15	0.09
Andrzej Papis	Member of the Supervisory Board (until 2 April 2015)	-	0.03
Leszek Reksa	Independent Member of the Supervisory Board	0.15	0.12
Heronim Ruta	Member of the Supervisory Board	0.15	0.12
Tomasz Szeląg	Member of the Supervisory Board (from 1 October 2016)	0.05	-
Total		**1.01**	**0.75**

46. Important agreements and events

Permission to withdraw from dematerialization of shares

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

Sale of shares

On 4 January 2016 shares in Rioni 1 AB (formerly Cyfrowy Polsat Finance AB) were disposed of by the Company.

Merger

On 30 June 2016 a merger of Netshare Sp. z o.o. with Gery.pl Sp. z o.o. was registered. The surviving entity is Netshare Sp. z o.o.

On 30 November 2016 a merger of the Company. with Netshare Sp. z o.o. was registered. The surviving entity is Cyfrowy Polsat S.A.

47. Events subsequent to the reporting date

Cross-border merger

On 23 January 2017 the Extraordinary General Meeting of the Company adopted a resolution concerning the cross-border merger by acquisition of Cyfrowy Polsat (Acquiring Company) and Metelem Holding Company Limited (Ceasing Company). The merger will be effected by transferring all of the assets and liabilities of the Ceasing Company to the Acquiring Company and dissolving the Ceasing Company without liquidation.

48. 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 Senior Facilities Agreement, SFA Agreement and Senior Notes. Detailed information in respect to the agreements is presented in the Management Report in note 4.6.6.

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

Commitments to purchase programming assets

As at 31 December 2016 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 December 2016	31 December 2015
within one year	139.4	178.1
between 1 to 5 years	83.3	116.4
More than 5 years	20,0	
Total	**242.7**	**294.5**

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

	31 December 2016	31 December 2015
within one year	14.6	15.9
Total	**14.6**	**15.9**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 118.3 as at 31 December 2016 (PLN 136.3 as at 31 December 2015). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 31 December 2016 was PLN 115.3 (PLN 63.8 as at 31 December 2015).

Contractual liabilities related to purchase of data transfer services

Total amount of capital commitments resulting from agreements on data transfer services as at 31 December 2016 was PLN 0 (PLN 2,777.2 as at 31 December 2015).

49. Judgments, financial estimates and assumptions

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

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

The most significant estimates and assumptions made primarily related to the following:

- *Classification of lease agreements*

The Group classifies leasing agreements as operating or financial based on the assessment as to what extent the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The assessment is based on the economical substance of each transaction. The Group concludes agreements for the rental of reception equipment (set-top boxes, modems and routers) to its customers in the course of its business operations. These lease agreements are classified as operating leases as the Group holds substantially all the risks and rewards incidental to ownership of the reception equipment. The Group also provides vehicles under operating lease agreements which were initially leased from MLeasing and recognized as financial leasing.

As a part of its business activities the Group has concluded agreements with Eutelsat for the rental of transponder capacity as well as an agreement with Nagravision for the lease of conditional access system (including SMART cards). These agreements were classified as operating leases as Eutelsat and Nagravision hold substantially all the risks and rewards incidental to the ownership of the transponders and the conditional access system. The Group also entered into land lease agreements (locations for network infrastructure) and leases of office and other premises which are classified as operating leases. For more information see note 32.

- *Depreciation rates of property, plant and equipment and intangible assets with definite useful lives*

Depreciation rates are based on the expected economic useful lives of property, plant and equipment (including reception equipment provided to customers under lease agreements) and intangible assets (including customer relationships and Plus brand). The expected economic useful lives are reviewed on an annual basis based on the experience of the entity.

The economic useful lives of the set-top boxes rented to customers under operating lease agreements are estimated for 5 years, modems and routers 3 years. For information on the useful lives of property, plant and equipment, programming assets and other intangible assets with definite useful lives see notes 6j and 6k. For information on the depreciation charge for the period by the category of property, plant and equipment and intangible assets with definite useful lives see notes 16 and 20.

- *Economic useful lives and amortization method of programming assets*

Economic useful life of programming assets is based on the shorter of the expected consumption of future economic benefits embodied in an asset and the license period. Amortisation method of programming assets reflects how these economical benefits are consumed. The estimation of the useful life and the amortization method requires assessment of the timing during which the Group is expecting to obtain the income from the acquired programming assets and the percentage apportionment of this income in the given period. For more information about the amortization method and amortization charge for the period by programming assets category see notes 6l and 21.

- *Indefinite useful life of Polsat, TV4, TV6 and IPLA brands*

As at the reporting date, the Group has reviewed whether relevant factors continue to indicate indefinite useful life of Polsat, TV4, TV6 and IPLA brands recognised in 2011-2013 on the acquisition of Telewizja Polsat S.A., Polskie Media S.A. and entities comprising IPLA network.

The Group has reviewed the following factors which are essential for estimating the economic useful life of the Polsat, TV4, TV6 and IPLA brands:

- The expected usage of the asset by the entity and whether the asset could be managed more efficiently
- Technical, technological, commercial or other types of obsolescence
- The stability of the industry in which the asset operates and changes in the market demand for media services

- Expected actions by competitors or potential competitors
- The level of maintenance expenditure required to obtain the expected future economic benefits from the asset
- Whether the useful life of the asset is dependent on the useful life of other asset of the entity.

Having analyzed the above factors, the Group has concluded that there is no foreseeable limit to the period over which the Polsat, TV4, TV6 and IPLA brands are expected to generate net cash inflows for the Group and thus the indefinite useful life was assumed. This means that the above brands are not subject to amortization but rather are tested for impairment on annual basis. The Management believes that Polsat, TV4 and TV6 brands have a positive impact on the revenues from advertising and sponsorship and IPLA brand has a positive impact on acquisition of new customers as well as increase of ARPU among current customers of Cyfrowy Polsat. Furthermore, the Polsat brand is widely recognized by media and is highly appreciated in numerous rankings, for example ”Rzeczpospolita” journal’s rankings or BAV Consulting’s rankings. Numerous awards for employees, individuals associated with the brand as well as high Power Ratio index also indicate a strong position of the brand.

As at the balance sheet date the Management states there are no plans to cease using or significantly modify Polsat, TV4, TV6 or IPLA brands. The value assigned to the brands relate to the name “Polsat”, "TV4", “TV6” and “ipla” respectively and the related logotypes both of which are reserved trademarks. In case the Group decides about discontinuance of use or significant modification of the name or logotype the Management would review whether events and circumstances continue to support an indefinite useful life assessment of the Polsat, TV4, TV6 and IPLA brands and assess whether there are indicators of possible impairment.

- *Fair value of assets and liabilities of Litenite Ltd. and IT Polpager S.A.*

The Group identified assets and liabilities and estimated their fair value under the purchase price allocation process relating to the acquisition of Litenite Ltd. and IT Polpager S.A.. For more information see note 37.

- *The impairment of goodwill and intangible assets with indefinite useful lives*

The Group performed impairment test of a goodwill and of the intangible assets with indefinite useful lives (Polsat brand, TV4 and TV6 brands and Ipla brand). The impairment test was based on the value-in-use calculations of the cash-generating unit to which the goodwill and brands have been allocated on the initial recognition. Goodwill and brands with indefinite useful lives have been allocated to the following cash-generating units, which also represent the Group's business segments:

- “Services to individual and business customers” - goodwill recognized on the acquisition of M.Punkt Holdings, goodwill recognized on the acquisition of INFO-TVFM, the goodwill and IPLA brand recognized on the acquisition of entities comprising the IPLA platform, the goodwill recognized on the acquisition of Metelem and the goodwill recognized on the acquisition of Orsen Holding;
- “Broadcasting and television production” - goodwill and Polsat brand recognized on the acquisition of TV Polsat, goodwill and TV4 and TV6 brands recognized on the acquisition of Polskie Media and goodwill recognized on the acquisition of Radio PIN.

The value-in-use calculations included estimation of discounted cash flows for the given cash-generating unit and the relevant discount rate. The value of goodwill and brands tested at each cash-generating unit, the key assumptions used in the value-in-used calculations for each cash-generating unit, impairment test results and sensitivity analysis of reasonably possible changes in the key assumptions are presented in note 19.

- *The impairment of non-financial non-current assets*

As at the reporting date the Group has assessed whether there are any indications that intangible and tangible assets with definite useful lives may be impaired. The impairment loss recognised equals the difference between net book value and recoverable amount. The impairment values are presented in note 16 and 20.

- *Impairment of receivables*

Judgment is required in evaluating the likelihood of collection of customer debt after revenue has been recognized. This evaluation requires estimates to be made including the level of bad debt allowance made for amounts with uncertain recovery profiles. Allowances are based on the probability of receivables collection, and on more detailed reviews of individually significant balances. Depending on the type of the customer and the source of the receivable, the assessment of the probability of receivable collection is done either based on the analysis of individual balances or based on the statistical probability of recoverability for each receivable's ageing profile. Recoverability rates are defined based on the analysis of the historical recoverability and the customers' behavior as well as other factors that, according to the Management Board, might influence the recoverability of the receivables. For more information see notes 6o, 25 and 38.

- *Impairment of inventories*

The Group provides for slow-moving or obsolete inventories based on inventory turnover ratios and current marketing plans. The purchase cost or production cost is determined based on weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses. For more information see notes 6m and 24.

- *Provisions for pending litigation*

During the normal course of its operations the Group participates in several court proceedings, usually typical and repeatable and which, on an individual basis, are not material for the Group, its financial standing and operations. The provisions are estimated based on the court documentation and the expertise of the Group's lawyers who participate in the current litigations and who estimate Group's possible future obligations taking the progress of litigation proceedings into account. The Group also recognizes provisions for potential unreported claims resulting from past events, should the Management Board find that the resulting outflow of economic benefits is likely. Provisions regarding probable claims are recognized as a result of Management Board's estimates based on accessible information regarding market rates for similar claims. Management believes that the provisions as at 31 December 2016 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

- *Provisions for dismantling*

The Group is required to dismantle equipment and restore sites. The provision is based on the best estimate of the amount required to settle the obligation. The provision for the cost of dismantling and removing the asset and restoring the site is revised, when necessary, along with the value of the relevant asset. The provision is discounted by applying a discount rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The discount rate used in calculating the provision for dismantling and removing the asset and restoring the site is 3.60% as at 31 December 2016. The discounting period reflects the management's best estimate regarding the expected time of dismantling the assets, taking into account the expiry dates of concessions held by the Group and the expected period of renewal.

- *Deferred tax*

Deferred taxes are recognised for all temporary differences, as well as for unused tax losses. The key assumption in relation to deferred tax accounting is the assessment of the expected timing and manner of realization or settlement of the carrying amounts of assets and liabilities held at the reporting date. In particular, assessment is required of whether it is probable that there will be suitable future taxable profits against which any deductible temporary differences can be utilized. At the end of the reporting period unrecognised deferred tax assets are re-assessed. A previously unrecognised deferred tax asset is recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. For further details refer to note 6x and 13.

- *Fair value of financial instruments*

Fair value of financial instruments for which there is no active market is estimated using appropriate techniques of measurements. The techniques are chosen based on the professional judgment. For more information about the method of establishing the fair value of financial instruments and key assumption made see note 6h.

- *Loan liabilities measured at amortised cost*

The CP Term Facility, the PLK Term Facility, the CP Revolving Facility and the PLK Revolving Facility bear interest at a variable rate equal to WIBOR for the relevant interest period plus margin. The margin on the CP Term Facility, the PLK Term Facility, the CP Revolving Facility and the PLK Revolving Facility depends on the ratio of net consolidated indebtedness to consolidated EBITDA. Accordingly, the Group classifies loan liabilities as variable rate instruments. The Group treats movements in both factors in accordance with IFRS 39 AG7 and the periodic re-estimation of cash flows alters the effective interest rate.

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

Financial results for the 3 months ended 31 December 2016 and 31 December 2015

50. Consolidated Income Statement

	for the 3 months ended	
	31 December 2016 unaudited	**31 December 2015 unaudited**
Continuing operations		
Revenue	2,535.1	2,609.9
Operating costs	(2,140.6)	(2,159.3)
Other operating cost, net	(4.6)	(6.2)
Profit from operating activities	**389.9**	**444.4**
Gain/loss on investment activities, net	(26.3)	(3.2)
Finance costs	(122.9)	(270.0)
Share of the profit of joint venture accounted for using the equity method	-	0.7
Gross profit for the period	**240.7**	**171.9**
Income tax	101.1	13.7
Net profit for the period	**341.8**	**185.6**
Net profit attributable to equity holders of the Parent	349.9	185.6
Net loss attributable to non-controlling interest	(8.1)	-
Basic and diluted earnings per share (in PLN)	**0.54**	**0.29**

51. Consolidated Statement of Comprehensive Income

	for the 3 months ended	
	31 December 2016 unaudited	**31 December 2015 unaudited**
Net profit for the period	**341.8**	**185.6**
Items that may not be reclassified subsequently to profit or loss:	***0.3***	***3.0***
Actuarial gain	0.3	3.0
Items that may be reclassified subsequently to profit or loss:	***2.0***	***1.5***
Valuation of hedging instruments	2.5	1.8
Income tax relating to hedge valuation	(0.5)	(0.3)
Items that may be reclassified subsequently to profit or loss	**2.3**	**4.5**
Other comprehensive income, net of tax	**2.3**	**4.5**
Total comprehensive income for the period	**344.1**	**190.1**
Total comprehensive income attributable to equity holders of the Parent	352.2	190.1
Total comprehensive income attributable to non-controlling interest	(8.1)	-

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

52. Revenue

	for the 3 months ended	
	31 December 2016 unaudited	31 December 2015 unaudited
Retail revenue	1,589.0	1,620.6
Wholesale revenue	658.4	738.0
Sale of equipment	265.6	226.9
Other revenue	22.1	24.4
Total	**2,535.1**	**2,609.9**

53. Operating costs

		for the 3 months ended	
	Note	31 December 2016 unaudited	31 December 2015 unaudited
Technical costs and cost of settlements with telecommunication operators		472.6	585.1
Depreciation, amortization, impairment and liquidation		512.4	436.7
Cost of equipment sold		380.1	393.6
Content costs		297.3	299.1
Distribution, marketing, customer relation management and retention costs		222.5	220.1
Salaries and employee-related costs	a	163.9	158.0
Cost of debt collection services and bad debt allowance and receivables written off		15.3	7.6
Other costs		76.5	59.1
Total		**2,140.6**	**2,159.3**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 December 2016 unaudited	31 December 2015 unaudited
Salaries	140.2	136.1
Social security contributions	18.5	16.8
Other employee-related costs	5.2	5.1
Total	**163.9**	**158.0**

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

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

	for the 3 months ended	
	31 December 2016 unaudited	31 December 2015 unaudited
Interest, net	7.1	7.9
Other foreign exchange losses, net	(18.5)	(5.2)
Other costs	(14.9)	(5.9)
Total	**(26.3)**	**(3.2)**

55. Finance costs

	for the 3 months ended	
	31 December 2016 unaudited	31 December 2015 unaudited
Interest expense on loans and borrowings	97.3	64.7
Interest expense on issued bonds	28.0	98.0
Foreign exchange differences on issued bonds	-	81.7
Valuation and realization of hedging instruments	1.7	2.1
Valuation and realization of derivatives not used in hedge accounting – relating to interest	(8.7)	17.8
Other	4.6	5.7
Total	**122.9**	**270.0**