



Independent auditor's report in accordance with the International Standards on Auditing

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

Our opinion

In our opinion, the consolidated financial statements of Cyfrowy Polsat S.A. Group (hereinafter called "the Group"), having Cyfrowy Polsat S.A. as its parent company (hereinafter called "the Company"), present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

What we have audited

The audited consolidated financial statements of Cyfrowy Polsat S.A. Group comprise:

- the consolidated balance sheet as of December 31, 2016;

and prepared for the year from January 1, 2016 to December 31, 2016:

- the consolidated income statements and the statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated cash flows statement, and
- notes to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We have fulfilled also the objectivity and independence requirements within the meaning of the Act dated 7 May 2009 on registered auditors and their self-government, registered audit companies and on public supervision (Journal of Laws of 2016, item 1000 as amended).

PricewaterhouseCoopers Sp. z o.o., International Business Center, Al. Armii Ludowej 14, 00-638 Warsaw, Poland

T: +48 (22) 746 4000, F: +48 (22) 742 4040, www.pwc.com



Our audit approach

Overview

Materiality	<ul style="list-style-type: none">• The overall materiality for the engagement was amounting to PLN 91,000 thousand, e.g. 2.5% of EBITDA.
Group scoping	<ul style="list-style-type: none">• We have audited 5 subsidiaries in Poland and performed selected audit procedures for the remaining entities within the Group.• The engagement team visited the following subsidiaries: Cyfrowy Polsat Trade Marks Sp. z o.o., Telewizja Polsat Sp. z o.o., Polsat Media Biuro Reklamy Sp. z o.o. Sp. k., Telewizja Polsat Holdings Sp. z o.o., Polsat Media Biuro Reklamy Sp. z o.o., PL 2014 Sp. z o.o., Muzo.fm Sp. z o.o., INFO-TV-FM Sp. z o.o., CPSPV1 Sp. z o.o., CPSPV2 Sp. z o.o., Polkomtel Sp. z o.o., Nordisk Polska Sp. z o.o., Liberty Poland S.A., Polkomtel Business Development Sp. z o.o., Plus TM Management Sp. z o.o., TM Rental Sp. z o.o. and Interphone Service Sp. z o.o.• The scope of our work covered 94% of the Group revenues and 76% of the absolute value of the net profit (before consolidation adjustments).
Key audit matters	<ul style="list-style-type: none">• Accounting for the acquisition of Litenite Limited (“Litenite”) and the Midas S.A. Group (“Midas Group”);• Recognizing sales revenue;• Impairment of non-current assets;• Recoverability of the deferred tax assets;• Claims, disputes and contingent liabilities.

Scope of our audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered areas where the Company’s management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	PLN 91,000 thousand (PLN 92,100 thousand for 2015 audit)
How we determined it	2.5% of EBITDA. EBITDA is an alternative performance measure and was defined by the Company in note 14 of the consolidated financial statement. The Management Board is responsible for defining and setting the related measure - EBITDA calculation method may vary from other entities' calculation of such measure.
Rationale for the materiality benchmark applied	We adopted the EBITDA as a basis for determining the overall materiality, as we believe that this ratio is commonly used to assess the activity of the Group for users of financial statements and generally accepted indicator of reference, especially for the entities with a significant external borrowing costs as well as depreciation. The overall materiality was assumed at 2.5%, as it is in line with quantitative thresholds provided by standards as acceptable.

We agreed with the Audit Committee of the Company we would report to them misstatements of the consolidated financial statements identified during our audit above PLN 4,550 thousand as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were the most significant during our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit referred to the matter
<p>Accounting for the acquisition of Litenite Limited ("Litenite") and the Midas S.A. Group ("Midas Group")</p> <p>The disclosures related to the said transaction were presented in Note 37 to the consolidated financial statements.</p> <p>On 29 February 2016, Polkomtel Sp. z o.o. ("Polkomtel") purchased 100% of shares in Litenite – an entity which holds 65.9975% shares of Midas S.A. As a result of a tender offer, and the following mandatory squeeze-</p>	<p>Our audit procedures covered in particular:</p> <ul style="list-style-type: none"> • a review of the transaction documents and audit of the amounts paid in the acquisition transaction; • obtaining audit reports from the auditor of the Midas S.A. Group and an analysis of these reports; • understanding and assessing the identification process of the acquired assets and assumed liabilities; • a critical assessment of the adopted valuation methods and assumptions, covering in particular the concession for the 1800 MHz band (valued at PLN 340 million),



out, Polkomtel purchased the remaining 34.0025% of shares in Midas S.A. The parent company identified the acquired assets and liabilities, and estimated their fair value.

As a result of the allocation of the acquisition price (PLN 408 million) the Group recognized goodwill in amount of PLN 369 million.

Due to the fact that the said estimates are connected with making several material assumptions and judgements, in particular related to the adopted measurement methods for particular asset and liability groups, this matter was the subject of our focus during our audit of the Group's consolidated financial statements.

which is subject to legal dispute related to the cancelling of the tender for the frequency. In particular, in this respect we consulted the Group's legal advisors to understand the assessment of the impact of the potential outcome of the dispute on the valuation of the concession;

- an analysis of the rationality of the material assumptions adopted by the Management Board in allocating the acquisition price performed by PwC valuation professionals;
- an assessment of the rationale for the amortization and depreciation periods of the recognized assets;
- an analysis of the assumptions as to the assessment of the criteria for separating the early repayment options for debt instruments (bonds) issued by the acquired entities adopted by the Management Board as at the date of assuming control;
- an assessment of the correctness of disclosures relating to accounting for the acquisition in accordance with respective financial reporting standards.

Based on the procedures performed, we determined that the assumptions adopted by Group Management are supported by audit evidence.

In our opinion, the disclosure in Note 37 meets the standard requirements.

Recognizing sales revenue

The Group disclosed information related to revenues on sales of services, finished goods, goods for resale and materials in Note 9 to the consolidated financial statements.

In the financial year ended 31 December 2016, the Group earned revenue:

- from retail sales to individual and business customers (mainly in respect of subscription fees on programme packages of paid digital TV and subscription fees for telecommunication services provided to contract customers, and prepaid and mix users);
- from wholesale (advertising and sponsoring, revenue from cable and satellite operators, lease of infrastructure,

Our audit procedures covered in particular:

- understanding and assessing the internal control environment relating to the recognition, measurement and presentation of particular types of sales revenues;
- assessing compliance of the accounting policies relating to recognizing revenues with the respective financial reporting standards, in particular those related to material accounting estimates and judgments;
- analyzing selected IT systems, including billing systems, used in the process of recognizing revenues by the Group;
- assessing the Parent Company's Management Board's assumptions and estimates related to recognizing revenues, mainly in respect of multi-component contracts and discounts granted;



interconnect, roaming, signal transmission and broadcasting services, and licence and sublicense sales);

- from sales of equipment.

This was the matter we focused on, due to the fact that applying appropriate financial reporting standards relating to recognizing and presenting revenue is a complex matter and requires Management Board estimates and accounting judgements, and is based on the use of computer data processing (in particular billing data).

- analyzing material contracts concluded by Group companies;
- testing internal controls in terms of the recognition and verification of billing revenue, to confirm the existence and correctness of measurement of revenues using IT systems;
- substantive testing consisting, among other things, of reconciling sales invoices issued, respective contracts with customers, billing tariffs applied (quotations) and payments received.

As a result of the audit procedures performed, we have not detected material misstatements which would require adjusting in the financial statements.

Impairment of non-current assets

In Note 19 to the consolidated financial statements the Group presented disclosures relating to the impairment tests performed, including the results of the tests, their sensitivity analysis and a description of the assumptions made.

The balance of goodwill recognized as at 31 December 2016 in the Group consolidated financial statements amounted to PLN 10,975 million. In accordance with IFRS, the Management Board of the Parent Company performs impairment tests at least as at the end of each financial year.

The impairment testing is related to the need to adopt several assumptions and making judgements by the Management Board of the Parent Company, which – among other things – relate to the adopted Group strategy, financial plans and cash flow forecasts for the consecutive years, including after the period covered by detailed forecasts, and macroeconomic and market assumptions. Taking into consideration the materiality of the particular consolidated financial statement item and the sensitivity of the results of the said test with reference to the adopted

Our audit procedures covered in particular:

- understanding and assessing the identification process of asset impairment and correctness of their grouping, which includes goodwill, into cash generating units, in compliance with appropriate financial reporting standards;
- checking the arithmetical correctness and methodological consistency of valuation models (using internal PwC valuation professionals) prepared by the Management Board of the Parent Company based on discounted cash flows;
- a critical assessment of the assumptions and estimates adopted by the Management Board of the Parent Company used to determine the recoverable value of fixed assets, including, among other:
 - a five-year projection period in respect of future cash flows and the respective assumed revenue level, operating margin and future capital expenditures;
 - the discount rate used (based on weighted average cost of capital);
 - marginal rate of growth after the forecast period;



assumptions, this matter was subject to our analyses.

- assessment of the assumptions adopted in the sensitivity analysis performed by the Management Board on the valuation results;
- assessment of the correctness and completeness of disclosures in respect of impairment tests in the consolidated financial statements.

Based on the procedures performed we concluded that the assumptions adopted by the Management Board are rational and supported by the documentation obtained, and that the disclosures included in the consolidated financial statements meet the requirements of the standards.

Recoverability of the deferred tax asset

The balance of deferred tax assets recognized as at 31 December 2016 in the Group consolidated financial statements is PLN 232.7 million.

In Note 13 to the consolidated financial statements, the Group presented disclosures relating to income tax.

We especially focused on the analysis of the correctness of recognizing the deferred tax assets by the Group due to the fact that it requires from the Management Board making material accounting assumptions and judgements. Those assumptions and judgements relate mainly to assessing the tax effects of business transactions, the probability of earning future taxable income which would make possible the deduction of tax losses from prior years and assessing the period and the manner of accounting for the tax value of particular assets and liabilities.

Our audit procedures covered in particular:

- understanding and assessing the identification process of temporary differences and calculating deferred tax assets;
- a critical assessment of the assumptions adopted by the Management Board of the Parent Company and the estimates relating to the recoverability of the recognized deferred tax assets;
- an assessment of the tax effects of material transactions to which the Group companies were party in 2016 and their impact on the recognized deferred tax assets.

As a result of the audit procedures performed, we have not identified any significant adjustments to the consolidated financial statements.

Claims, disputes and contingent liabilities

The Group presented the disclosures related to contingent liabilities and disputes in Note 13 and Note 43 to the consolidated financial statements.

In its business operations the Group is party to court and administrative proceedings, including proceedings before regulatory and tax authorities. Provisions for probable claims

Our audit procedures covered in particular:

- understanding and assessing the internal control environment relating to the identification, recognition and measurement of provisions for disputes, potential claims and litigation, and contingent liabilities;



are set up based on Management Board estimates as to their probable outcomes, which base on the available information on the legal status of the proceedings.

Our audit procedures focused on this area due to the fact that the assessment as to whether there is a need to set up a provision and in what amount as well as the scope of disclosures of contingent liabilities relating to particular matters is related to the intrinsic risk of uncertainty and the need for the Management Board to adopt professional judgements and assumptions.

- analysis of responses obtained from the Group's legal advisors who conduct the court cases, tax and administrative proceedings, in which their status and possible expected manner of proceeding were described;
- discussions with the Group's legal advisors of selected (material) disputes, and existing and potential disputes and claims;
- assessment of the Parent Company's Management Board's assumptions and estimates related to the recognized provisions for disputes and disclosures of contingent liabilities in the consolidated financial statements;
- analysis of minutes of meetings of the decision making bodies (i.e. the Management Boards, Supervisory Boards and General Shareholders' Meetings) of material companies within the Group.

In the light of the evidence obtained, we concluded that the judgements and estimates made by the Management Board in respect of the disputes and related provisions are justified.

How we tailored our Group audit scope

We tailored the scope of our audit to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls, as well as the industry in which the Group operates.

In determining the scope of the Group's audit we specified the scope of the procedures which have been performed by us, i.e. the team auditing the Group's consolidated financial statements, and the scope of procedures performed by the other auditor that audited part of the Group according to our instructions.

The scope of the audit of the consolidated financial statements covered three material Group components, i.e. Cyfrowy Polsat S.A., the Polkomtel Sp. z o.o. Group, the Telewizja Polsat Sp. z o.o. Group, which represents 97% of the Group's revenue and 88% of the absolute value of its results (before consolidation adjustments).

Opinion on other information, including the report on the Group's operations

Management is responsible for the other information. The other information comprises the Report on Cyfrowy Polsat S.A. Group's operations for the financial year ended December 31, 2016 ("the Report on the Group's operations").

Our opinion on the consolidated financial statements does not cover the Report on the Group's operations and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Report on the Group's operations and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and supervisory board for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS, other applicable laws and the statute and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's consolidated financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Auditor conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o. Registered Audit Company No. 144:

A handwritten signature in blue ink, appearing to read 'T. Kociolek'.

Tomasz Kociolek
Registered Auditor
No. 11920

A handwritten signature in black ink, appearing to read 'Adam Krasoń'.

Adam Krasoń
Partner
PricewaterhouseCoopers Sp. z o.o.

Warsaw, March 15, 2017