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 financial statements of Cyfrowy Polsat S.A. (hereinafter called "the Company"), present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its 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 financial statements of Cyfrowy Polsat S.A. comprise:

- the balance sheet as of December 31, 2016;

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

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

Our audit approach

Overview

Materiality	• The overall materiality for the engagement was amounting to PLN 13,500 thousand, e.g. 2.5% of EBITDA.
Key audit matters	• Recognizing sales revenue; • Impairment of non-current 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 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.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Company materiality for the 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 financial statements as a whole.

Overall Company materiality	PLN 13,500 thousand (PLN 14,700 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 13 of the 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 Company for users of financial statements and generally accepted indicator of reference, especially for the entities with a significant external borrowing 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 financial statements identified during our audit above PLN 675 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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
Recognizing sales revenue The Company disclosed information related to revenues on sales of services, finished goods, goods for resale and materials in Note 8 to the financial statements. In the financial year ended December 31, 2016, the Company earned revenue: • from retail sales to individual and business customers (mainly in respect of subscription fees on programme packages of paid digital TV, subscription fees for telecommunication services provided to contract customers as well as revenue from rental of reception equipment); • from wholesale (mainly in respect to advertising and sponsoring as well as signal transmission and broadcasting services); • 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	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 Company; • assessing the Company's Management Board's assumptions and estimates related to recognizing revenues, mainly in respect of multi-component contracts and discounts granted; • analyzing material contracts concluded by Company; • 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, of reconciling sales invoices issued, respective contracts

accounting judgements, and is based on the use of computer data processing (in particular billing data).

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 16 to the financial statements the Company 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 December 31, 2016 in the Company financial statements amounted to PLN 197.0 million, and investment in subsidiaries amounted to PLN 11,469.3 million. In accordance with IFRS, the Management Board of the 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 Company, which – among other things – relate to the adopted Company 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 financial statement item and the sensitivity of the results of the said test with reference to the adopted assumptions, this matter was subject to our analyses.

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 Company based on discounted cash flows;
- a critical assessment of the assumptions and estimates adopted by the Management Board of the Company used to determine the recoverable value of fixed assets, including, among other things:
  - 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;
- 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 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 financial statements meet the requirements of the standards.

Claims, disputes and contingent liabilities

The Company presented the disclosures related to disputes in Note 40 to the financial statements.

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

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;
- analysis of responses obtained from the Company'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 Company's legal advisors of selected (material) disputes, and existing and potential disputes and claims;
- assessment of the Company's Management Board's assumptions and estimates related to the recognized provisions for disputes and disclosures of contingent liabilities in the 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 Company.

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.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the Report on the Company's operations and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company's to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the ssupervisory 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 ssupervisory 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 ssupervisory board, we determine those matters that were of most significance in the audit of the 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:

Tomasz Kociołek
Registered Auditor
No. 11920

Adam Krasoń
Partner
PricewaterhouseCoopers Sp. z o.o.

Warsaw, March 15, 2017