

**METELEM HOLDING COMPANY
LIMITED**

REPORT AND FINANCIAL STATEMENTS
31 December 2016

METELEM HOLDING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2016

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METELEM HOLDING COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Joanna Elia
Pantelis Christofides

Company Secretary:

Meritservus Secretaries Ltd of Limassol

Independent Auditors:

PricewaterhouseCoopers Ltd

Legal Advisers:

L. Papaphilippou and Co LLC

Registered office:

3 Chrysanthou Mylona Street
Office no.102
CY 3030 Limassol
Cyprus

METELEM HOLDING COMPANY LIMITED

MANAGEMENT REPORT

The Board of Directors of Metelem Holding Company Limited (the "Company", "Metelem") presents its report and audited financial statements of the Company for the year ended 31 December 2016.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments and provision of financing to related parties, including any interest earning activities.

As of 31 December 2016 Metelem Holding Company Limited directly held the full shareholding in Eileme 1 AB (Publ). Eileme 1 AB (Publ) is the sole shareholder of Eileme 2 AB (Publ) (Sweden), which is the sole shareholder of Eileme 3 AB (Publ) (Sweden), which is the sole shareholder of Eileme 4 AB (Publ) (Sweden), an entity holding all of the share capital of Polkomtel Sp. z o.o. (Poland). Polkomtel Sp. z o. o. is an unlisted company whose core activities include provision of telecommunication services.

The principal activities of the Company and its subsidiaries (hereafter collectively referred to as the "Group") are among others:

- designing, installing, operating and managing telecommunication systems and networks in Poland as well as any required infrastructure, in particular wireless technology;
- developing and selling products and services in Poland, directly or indirectly using the aforementioned systems, networks and infrastructure;
- conducting any other activities with regard to the provision of telecommunication and related services in Poland (value added services, accompanying information services as well as services aimed at promoting the systems used, networks and provided services);
- arrangement of financings from non-related parties and provisions of financings to related parties;
- electricity trading.

The Company and its direct and indirect subsidiaries Eileme 1 AB (publ), Eileme 2 AB (publ), Eileme 3 AB (publ) and Eileme 4 AB (publ) are holding companies which were incorporated in order to facilitate the acquisition of Polkomtel Sp. z o.o. and in particular to organize the financing of this acquisition.

The ultimate holding company of Metelem Holding Company Limited is Cyfrowy Polsat S.A., public listed company seated in Warsaw (Poland), holding 100% of the share capital of the Company as of 31 December 2016 and as of the date of these financial statements.

Metelem Holding Company Limited is ultimately controlled by Mr. Zygmunt Solorz.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Company has agreed with its parent company Cyfrowy Polsat S.A. to proceed with a cross-border merger with the absorption of Metelem Holding Company Ltd into its Polish 100% parent company Cyfrowy Polsat S.A., in order to simplify the capital structure of the group of companies owned directly or indirectly by Cyfrowy Polsat S.A., while simplifying and streamlining the structure of financial flows between the merging companies. The common draft terms of the merge have been prepared and submitted to the Registrar of Cyprus Companies on 29 December 2016 and have been published in the official Gazette of the Republic of Cyprus on 13 January 2017. An application to the Limassol District Court was filed on 14 February 2017 requesting a pre-merge certificate which was approved by the Court on a hearing on 7 March 2017. The Company has been informed by Cyfrowy Polsat S.A. that the merger was effectively registered by Polish court as of 7 April 2017. The Company has been currently expecting to receive a relevant notification from Registrar of Companies in Cyprus.

METELEM HOLDING COMPANY LIMITED

MANAGEMENT REPORT (CONTINUED)

Principal risks and uncertainties

The main risks and uncertainties faced by the Company and the steps taken to manage these risks are described in Note 4 of the financial statements.

Financial risk management objectives and policies

The Company financial risk management objectives and policies are governed by policies approved by management. These policies cover interest rate risk, currency risk, credit risk and liquidity risk. Company policies also cover areas such as cash management, investment of excess funds and the raising of short and long-term debt. The objective of financial risk management is to contain, where deemed appropriate, exposures to the various types of financial risks mentioned above in order to limit any negative impact on the Company's results and financial position.

Results and Dividends

The Company's results for the year are set out on page 6. The net profit for the year 2016 attributable to the owners of the Company amounted to PLN 37.864.975 (2015: PLN 287.412.170).

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company during the financial year ended 31 December 2016. Details on share capital composition are presented in Note 17 to the financial statements.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2016 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2016.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Branches

During the financial year ended 31 December 2016 the Company did not operate any branches.

Events after the reporting period

On 13 January 2017, the common draft terms of the cross-border merge with parent company Cyfrowy Polsat S.A. have been published in the official Gazette of the Republic of Cyprus.

On 14 February 2017, an application was filed to the Limassol District Court requesting a pre-merge certificate.

On 7 March 2017, the pre-merge certificate was approved by the Limassol District Court.

The Company has been informed by Cyfrowy Polsat S.A. that the merger was effectively registered by Polish court as of 7 April 2017. The Company has been currently expecting to receive a relevant notification from Registrar of Companies in Cyprus.

METELEM HOLDING COMPANY LIMITED

MANAGEMENT REPORT (CONTINUED)

Independent Auditors

The Independent Auditors, PwC Cyprus, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Joanna Ella



Pantelis Christofides

Limassol, 30 May 2017



Independent Auditor's Report

To the Members of Metelem Holding Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Metelem Holding Company Limited (the "Company"), which are presented in pages 9 to 29 and comprise the statement of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 24 of the financial statements, which describes the fact that the Company has agreed with its parent company Cyfrowy Polsat S.A. to proceed with a cross border merger with the absorption of Metelem Holding Company Ltd into its Polish 100% parent company Cyfrowy Polsat. The cross border merger is expected to be completed after the signing of these financial statements. Our opinion is not modified in respect of this matter.

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Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information 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 other information 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 the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors 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 skepticism 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 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 true and fair view.

We communicate with the Board of Directors 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.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.



Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read 'Theodoros Stylianou'.

Theodoros Stylianou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 30 May 2017

METELEM HOLDING COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Note	2016 PLN	2015 PLN
Interest income	6	24.695.025	164.626.568
Other gains - net	7	17.206.052	126.834.963
Administration expenses	8	(888.905)	(546.207)
Operating profit		41.012.172	290.915.324
Finance costs	10	(41.130)	(662)
Profit before tax		40.971.042	290.914.662
Tax	11	(3.106.067)	(3.502.492)
Net profit for the year		37.864.975	287.412.170
Other comprehensive income		-	-
Total comprehensive income for the year		37.864.975	287.412.170

The notes on pages 13 to 29 form an integral part of these financial statements

METELEM HOLDING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2016

	Note	2016 PLN	2015 PLN
ASSETS			
Non-current assets			
Property, plant and equipment	12	2.122	2.829
Investments in subsidiaries	13	6.136.483.138	4.798.041.218
Loans receivable	14	627.708	86.451
		<u>6.137.112.968</u>	<u>4.798.130.498</u>
Current assets			
Trade and other receivables	15	11.904	4.283
Loans receivable	14	221.310	1.365.967.161
Cash and cash equivalents	16	58.338.426	4.016.296
		<u>58.571.640</u>	<u>1.369.987.740</u>
Total assets		<u>6.195.684.608</u>	<u>6.168.118.238</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	17	9.233.061	9.233.061
Share premium	18	5.670.174.164	5.670.174.164
Retained earnings		514.485.628	476.620.653
Total equity		<u>6.193.892.853</u>	<u>6.156.027.878</u>
Current liabilities			
Trade and other payables	19	36.555	75.561
Current tax liabilities	20	1.755.200	12.014.799
		<u>1.791.755</u>	<u>12.090.360</u>
Total equity and liabilities		<u>6.195.684.608</u>	<u>6.168.118.238</u>

On 30 May 2017 the Board of Directors of Metelem Holding Company Limited authorised these financial statements for issue.

Joanna Elia

Pantelis Christofides

The notes on pages 13 to 29 form an integral part of these financial statements

METELEM HOLDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Share capital PLN	Share premium PLN	Retained earnings PLN	Total PLN
Balance at 1 January 2015	<u>9.233.061</u>	<u>5.670.174.164</u>	<u>189.208.483</u>	<u>5.868.615.708</u>
Comprehensive income				
Net profit for the year	-	-	287.412.170	287.412.170
Total comprehensive income for the year	-	-	287.412.170	287.412.170
Balance at 31 December 2015/ 1 January 2016	<u>9.233.061</u>	<u>5.670.174.164</u>	<u>476.620.653</u>	<u>6.156.027.878</u>
Comprehensive income				
Net profit for the year	-	-	37.864.975	37.864.975
Total comprehensive income for the year	-	-	37.864.975	37.864.975
Balance at 31 December 2016	<u>9.233.061</u>	<u>5.670.174.164</u>	<u>514.485.628</u>	<u>6.193.892.853</u>

The notes on pages 13 to 29 form an integral part of these financial statements

METELEM HOLDING COMPANY LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Note	2016 PLN	2015 PLN
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		40.971.042	290.914.662
Adjustments for:			
Depreciation of property, plant and equipment	12	707	707
Net foreign exchange gain		(15.679.468)	(126.879.822)
Interest income	6	(24.695.025)	(164.626.568)
Interest expense	10	41.130	-
Cash flows from operations before working capital change		638.386	(591.021)
Change in trade and other receivables		(7.621)	(4.283)
Change in trade and other payables		(39.006)	20.781
Cash generated from operations		591.759	(574.523)
Tax paid		(13.889.947)	(10.208.985)
Net cash generated used in operating activities		(13.298.188)	(10.783.508)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment	12	-	(3.536)
Loans granted during the year		(734.996)	(249.599)
Loans repaid during the year		1.402.889.341	166.267
Interest repaid during the year		1.067.755	2.009
Interest received		-	2.399
Cash contribution to subsidiary	13	(1.338.441.920)	-
Net cash used in investing activities		64.780.180	(82.460)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		5.844.930	-
Repayments of borrowings		(5.567.380)	-
Interest paid		(40.842)	-
Net cash generated from financing activities		236.708	-
Net increase/(decrease) in cash and cash equivalents		51.718.700	(10.865.968)
Cash and cash equivalents at beginning of the year		4.016.296	13.819.251
Effect of exchange rate fluctuations on cash held		2.603.430	1.063.013
Cash and cash equivalents at end of the year	16	58.338.426	4.016.296

The notes on pages 13 to 29 form an integral part of these financial statements

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1. Incorporation and principal activities

Country of incorporation

The Company Metelem Holding Company Limited (the "Company") was incorporated in Cyprus on 9 May 2011 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 3 Chrysanthou Mylona Street, Office no.102, CY 3030 Limassol, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments and provision of financing to related parties, including any interest earning activities.

The parent company of Metelem is Cyfrowy Polsat S.A., public listed company seated in Warsaw, Poland, holding 100% of the share capital as of 31 December 2016. The Company is indirectly controlled by Mr. Zygmunt Solorz.

As of 31 December 2016 Metelem Holding Company Limited directly held the full shareholding in Eileme 1 AB (Publ). Eileme 1 AB (Publ) is the sole shareholder of Eileme 2 AB (Publ) (Sweden), which is the sole shareholder of Eileme 3 AB (Publ) (Sweden), which is the sole shareholder of Eileme 4 AB (Publ) (Sweden), an entity holding all of the share capital of Polkomtel Sp. z o.o. (Poland). Polkomtel Sp. z o. o. is an unlisted company whose core activities include provision of telecommunication services.

2. Basis of preparation

(a) Statement of compliance

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

The Company has not prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the 'Group'). The consolidated financial statements comprising the financial statements of Metelem Holding Company Limited have been prepared by Cyfrowy Polsat S.A. the Company's direct Parent.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2016 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

(b) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(c) Adoption of new and revised IFRSs and Interpretations

As from 1 January 2016 the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Company.

As at the date of approval of these financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted. None of these is expected to have a significant effect on the financial statements of the Company.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

2. Basis of preparation (continued)

(d) Functional and presentation currency

The functional currency of the Company and the currency in which these financial statements are presented is the Polish zloty (PLN).

(e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revision in accounting estimates are recognized in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and the future periods if the revision affects the present as well as future periods.

3. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Investment in subsidiary company

Subsidiaries are all entities (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed, 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. In its parent company financial statements, the Company carries the investments in subsidiaries at cost less any impairment. Investments in subsidiaries are measured at cost less impairment.

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Finance income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables using the original effective interest rate.

Finance costs

Finance costs include interest expense and other borrowing costs and are charged to profit or loss as incurred.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. Significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Polish Zloty (PLN), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

Computer Hardware	20%
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The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise "loans receivable", "trade and other receivables" and "cash and cash equivalents" in the statement of financial position.

Loans and receivables are initially recognized at fair value plus transaction costs. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. An allowance for loan impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. Significant financial difficulties of the borrower, probability that the borrower will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at effective interest rate. The amount of the provision is recognized in profit or loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and deposits held at call with the original maturity of 3 months or less.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Share premium account can only be resorted for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provision of the Cyprus Companies Law on reduction of share capital.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

3. Significant accounting policies (continued)

Provisions

Provisions are recognised at present value of the expenditures expected to be required to settle the obligation using a pre tax rate reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

4. Financial risk management

Financial risk factors

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

4.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are not significantly exposed to changes in market interest rates as the Company has no significant interest-bearing assets. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

	2016 PLN	2015 PLN
Fixed rate instruments		
Loans receivable	<u>849.018</u>	<u>1.366.053.612</u>
	<u>849.018</u>	<u>1.366.053.612</u>

(ii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

4. Financial risk management (continued)

4.1 Market risk (continued)

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	United States Dollars		Euro	
	2016	2015	2016	2015
	PLN	PLN	PLN	PLN
Loans receivable	-	1.365.967.161	849.018	86.451
Trade and other receivables	-	-	4.446	4.283
Cash and cash equivalents	58.219.526	4.016.296	116.478	-
Trade and other payables	-	-	(36.555)	(75.561)
	58.219.526	1.369.983.457	933.387	15.173

Sensitivity analysis

A 10% strengthening of the Polish Zloty against the following currencies at 31 December 2016 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Polish Zloty against the relevant currencies, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2016	2015
	PLN	PLN
United States Dollars	(5.821.953)	(136.998.346)
Euro	(93.339)	(1.517)
	(5.915.292)	(136.999.863)

4.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has significant concentration of credit risk. Cash balances are held with quality financial institution and the Company has policies to limit the amount of credit exposure to any financial institution.

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

	2016	2015
	PLN	PLN
Loans receivable	849.018	1.366.053.612
Trade and other receivables	11.904	4.283
Bank current accounts	58.338.242	4.016.296
	59.199.164	1.370.074.191

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

4. Financial risk management (continued)

4.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

31 December 2016

	Carrying amounts PLN	Contractual cash flows PLN	3 months or less PLN	Between 3-12 months PLN
Trade and other payables	<u>36.555</u>	<u>36.555</u>	<u>2.862</u>	<u>33.693</u>
	<u>36.555</u>	<u>36.555</u>	<u>2.862</u>	<u>33.693</u>

31 December 2015

	Carrying amounts PLN	Contractual cash flows PLN	3 months or less PLN	Between 3-12 months PLN
Trade and other payables	<u>75.561</u>	<u>75.561</u>	<u>43.105</u>	<u>32.456</u>
	<u>75.561</u>	<u>75.561</u>	<u>43.105</u>	<u>32.456</u>

4.4 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

The Company considers equity as shown on the face of the balance sheet as capital.

4.5 Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4.6 Offsetting financial assets and liabilities

The Company does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

5. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of investments in subsidiaries

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

Impairment of loans receivable

The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

6. Interest income

	2016 PLN	2015 PLN
Interest income on Promissory Note of Eileme 1 AB (publ)	24.687.922	164.620.403
Interest income on loan to Eileme 2 AB (publ)	3.593	-
Interest income on loan to Grab S.a.r.l	3.400	1.219
Interest income on loan to Orsen Ltd.	110	-
Interest income on loan to Teleaudio Dwa	-	2.547
Interest on bank deposits	-	2.399
	<u>24.695.025</u>	<u>164.626.568</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

7. Other gains - net

	2016 PLN	2015 PLN
Net foreign exchange gains	17.196.031	126.834.963
Guarantee income	10.021	-
	<u>17.206.052</u>	<u>126.834.963</u>

8. Expenses by nature

	2016 PLN	2015 PLN
Staff costs (Note 9)	353.109	175.355
Depreciation and amortisation expense	707	707
Auditors' remuneration for the statutory audit of annual accounts	10.529	10.142
Auditors' remuneration - prior years	654	82
Legal and professional	241.251	259.189
Accounting fees	23.978	22.021
Bank charges	100.217	25.803
Stamp duty	88.946	-
Operating lease rentals	26.559	14.931
Other expenses	42.955	37.977
Total expenses	<u>888.905</u>	<u>546.207</u>

9. Staff costs

	2016 PLN	2015 PLN
Wages and salaries	322.530	162.659
Social insurance costs	21.575	7.858
Special contribution	1.508	570
Social cohesion fund	4.234	2.015
Other funds	3.262	2.253
	<u>353.109</u>	<u>175.355</u>
Average number of employees	<u>4</u>	<u>4</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

10. Finance costs

	2016 PLN	2015 PLN
Interest expense	<u>41.130</u>	662
	<u>41.130</u>	<u>662</u>

11. Tax

	2016 PLN	2015 PLN
Corporation tax - current year	3.082.400	20.537.799
Corporation tax - prior years	23.667	-
Defence contribution - current year	-	841
Change in deferred tax	<u>-</u>	<u>(17.036.148)</u>
Charge for the year	<u>3.106.067</u>	<u>3.502.492</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2016 PLN	2015 PLN
Profit before tax	<u>40.971.042</u>	<u>290.914.662</u>
Tax calculated at the applicable tax rates	5.121.380	36.364.333
Tax effect of expenses not deductible for tax purposes	110.524	28.225
Tax effect of allowances and income not subject to tax	(2.149.504)	(15.854.759)
Defence contribution current year	-	841
Reversal of deferred tax liability	-	(17.036.148)
Prior year tax	<u>23.667</u>	<u>-</u>
Tax charge	<u>3.106.067</u>	<u>3.502.492</u>

The corporation tax rate is 12,5%.

Under certain conditions, interest income may be subject to defence contribution at the rate of 30%. In such cases, this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

12. Property, plant and equipment

	Computer Hardware PLN
Cost	
Balance at 1 January 2015	-
Additions	3.536
Balance at 31 December 2015/ 1 January 2016	3.536
Balance at 31 December 2016	3.536
Depreciation	
Balance at 1 January 2015	-
Charge for the year	707
Balance at 31 December 2015/ 1 January 2016	707
Charge for the year	707
Balance at 31 December 2016	1.414
Net book amount	
Balance at 31 December 2015	2.829
Balance at 31 December 2016	2.122

13. Investments in subsidiaries

	2016 PLN	2015 PLN
Balance at 1 January	4.798.041.218	4.798.041.218
Cash contribution ⁽¹⁾	1.338.441.920	-
Balance at 31 December	6.136.483.138	4.798.041.218

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2016 Holding %	2015 Holding %	2016 PLN	2015 PLN
Eileme 1 AB (publ)	Sweden	Holding company, financing and refinancing	100	100	6.136.483.138	4.798.041.218

Eileme 1 AB (Publ) is the sole shareholder of Eileme 2 AB (Publ)(Sweden), which is the sole shareholder of Eileme 3 AB (Publ) (Sweden), which is the sole shareholder of Eileme 4 AB (Publ) (Sweden), an entity holding all of the share capital of Polkomtel Sp. z o.o. (Poland). Polkomtel Sp. z o.o. is an unlisted company whose core activities include provision of telecommunication services.

⁽¹⁾ On 18 February 2016 the Company made a cash contribution to its subsidiary Eileme 1 AB (publ) immediately after the repayment of the promissory note provided on 27 May 2014 from Eileme 1 AB (publ) to the Company.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

14. Loans receivable

	2016 PLN	2015 PLN
Promissory Note of Eileme 1 AB (publ)	-	1.365.967.161
Loan to Eileme 2 AB (publ)	534.514	-
Loan to Orsen Ltd.	221.310	-
Loan to Grab S.a.r.l.	93.194	86.451
	<u>849.018</u>	<u>1.366.053.612</u>

In the above:

	2016 PLN	2015 PLN
Non-current portion	627.708	86.451
Current portion	221.310	1.365.967.161
	<u>849.018</u>	<u>1.366.053.612</u>

	2016 PLN	2015 PLN
Balance at 1 January	1.366.053.612	1.075.861.664
Loans granted for the year	734.996	249.879
Interest charged for the year	24.695.025	164.624.169
Repayments of capital for the year	(1.402.889.341)	(169.403)
Repayments of interest for the year	(1.067.755)	(2.570)
Exchange differences for the year	13.322.481	125.489.873
Balance at 31 December	849.018	<u>1.366.053.612</u>

The exposure of the Company to interest rate risk, currency risk as well as credit risk in relation to loans receivable is reported in Note 4 of the financial statements.

15. Trade and other receivables

	2016 PLN	2015 PLN
Guarantee fee due from Polkomtel Sp. z o.o.	7.201	-
Guarantee fee due from Cyfrowy Polsat S.A.	256	-
Deposits	4.447	4.283
	<u>11.904</u>	<u>4.283</u>

The fair value of trade and other receivables approximates their carrying amount at the reporting date.

The exposure of the Company to interest rate risk, currency risk as well as credit in relation to trade and other receivables is reported in Note 4 of the financial statements.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

16. Cash and cash equivalents

Cash balances are analysed as follows:

	2016 PLN	2015 PLN
Cash in hand	184	-
Current accounts	<u>58.338.242</u>	<u>4.016.296</u>
	<u>58.338.426</u>	<u>4.016.296</u>

The exposure of the Company to interest rate risk, currency risk as well as credit risk in relation to cash and cash equivalents is reported in Note 4 of the financial statements.

17. Share capital

	2016 Number of shares	2016 PLN	2015 Number of shares	2015 PLN
Authorised				
Ordinary shares of €1 each	<u>2.212.325</u>	<u>9.233.061</u>	<u>2.212.325</u>	<u>9.233.061</u>
Issued and fully paid				
Balance at 1 January	<u>2.212.325</u>	<u>9.233.061</u>	<u>2.212.325</u>	<u>9.233.061</u>
Balance at 31 December	<u>2.212.325</u>	<u>9.233.061</u>	<u>2.212.325</u>	<u>9.233.061</u>

Ownership structure as at 31 December 2016 and as at 31 December 2015:

Sole shareholder	Number of shares	% of shares
Cyfrowy Polsat S.A.	2.212.325	100,00

Pledge

All shares of the Company are pledged by Cyfrowy Polsat S.A., in favour of Combined SFA lenders under a deed of Share Pledge and charge (the "Pledge Agreement") dated 28 September 2015 for the benefit of UniCredit Bank AG, London Branch, acting as Security Agent under the Combined SFA (Note 22).

18. Other reserves

	Share premium PLN	Retained earnings PLN	Total PLN
Balance at 1 January 2015	5.670.174.164	189.208.483	5.859.382.647
Profit for the year	-	287.412.170	287.412.170
Balance at 31 December 2015/ 1 January 2016	5.670.174.164	476.620.653	6.146.794.817
Profit for the year	-	37.864.975	37.864.975
Balance at 31 December 2016	5.670.174.164	514.485.628	6.184.659.792

Share premium is not available for distribution.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

19. Trade and other payables

	2016 PLN	2015 PLN
Trade payables	2.862	25.629
Social insurance and other taxes	-	7.529
Accruals	33.693	41.398
Other creditors	-	1.005
	<u>36.555</u>	<u>75.561</u>

The fair value of trade and other payables approximates their carrying amount at the reporting date.

20. Current tax liabilities

	2016 PLN	2015 PLN
Corporation tax	1.755.200	12.014.799
	<u>1.755.200</u>	<u>12.014.799</u>

21. Related party transactions

The Company is controlled by Cyfrowy Polsat S.A., incorporated in Poland, which owns 100% of the Company's shares. The Company is indirectly controlled by Mr. Zygmunt Solorz.

The ultimate parent entity which prepares the consolidated financial statements of the largest body of undertakings of which the Company forms part as a subsidiary undertaking is Cyfrowy Polsat S.A. incorporated in Poland with registered office at 4a Lubinowa Street, Warsaw, Poland and its consolidated financial statements are available at the website of Cyfrowy Polsat S.A., www.cyfrowypolsat.pl.

The following transactions were carried out with related parties:

21.1 Interest income

	<u>Party relationship</u>	2016 PLN	2015 PLN
Eileme 1 AB (publ)	Subsidiary	24.687.922	164.620.403
Eileme 2 AB (publ)	Entity indirectly controlled by the Company	3.593	-
Grab S.a.r.l.	Entity controlled by the person who controls Metelem Holding Company Limited	3.400	1.219
Orsen Ltd.	Entity controlled by the person who controls Metelem Holding Company Limited	110	-
Teleaudio Dwa	Entity controlled by the person who controls Metelem Holding Company Limited	-	2.547
		<u>24.695.025</u>	<u>164.624.169</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

21. Related party transactions (continued)

21.2 Guarantee income

	<u>Party relationship</u>	2016 PLN	2015 PLN
Polkomtel Sp. z o.o.	Entity indirectly controlled by the Company	9.003	-
Cyfrowy Polsat S.A.	Parent company	1.018	-
		10.021	-

21.3 Interest expense

	<u>Party relationship</u>	2016 PLN	2015 PLN
Cyfrowy Polsat S.A.	Parent company	41.130	-
		41.130	-

21.4 Receivables from related parties

	<u>Party relationship</u>	2016 PLN	2015 PLN
Polkomtel Sp. z o.o.	Entity indirectly controlled by the Company	7.201	-
Cyfrowy Polsat S.A.	Parent company	256	-
		7.457	-

21.5 Loans to related parties

	<u>Party relationship</u>	2016 PLN	2015 PLN
Eileme 1 AB (publ)	Subsidiary	-	1.365.967.161
Eileme 2 AB (publ)	Entity indirectly controlled by the Company	534.514	-
Orsen Ltd.	Entity controlled by the person who controls Metelem Holding Company Limited	221.310	-
Grab S.a.r.l.	Entity controlled by the person who controls Metelem Holding Company Limited	93.194	86.451
		849.018	1.366.053.612

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

21. Related party transactions (continued)

21.6 Loans from related parties

	2016 PLN	2015 PLN
Borrowings from parent entity:		
At the beginning of year	-	-
Loan advanced during the year	5.844.930	-
Capital repayment	(5.567.380)	-
Interest repayment	(40.842)	-
Foreign exchange gain	(277.838)	-
Accrued interest	41.130	-
Balance at the end of year	-	-

On 26 January 2016 the Company was granted a loan amounting to EUR1.300.000 from its parent company Cyfrowy Polsat S.A., which was repaid on 12 April 2016.

The loan was carrying interest of EURIBOR 3M plus 3,68% margin.

22. Contingent liabilities

On 29 January 2016 the Company acceded as the Additional Guarantor to the Senior Facilities Agreement ("Combined SFA") concluded on 21 September 2015 by inter alia Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o. with the consortium of Polish and foreign banks and financial institutions. As a result the Company provided a guarantee in relation to drawings made by Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o. under Combined SFA. On initial recognition, the Company has assessed that the fair value of this guarantee was insignificant. Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement.

	PLN Principal outstanding as at 31/12/2016	PLN Interest accrued as at 31/12/2016 (*)	PLN Total
Term Loan drawn by Polkomtel Sp. z o.o.	9.612.500.000	858.541	9.613.358.541
Term Loan drawn by Cyfrowy Polsat S.A.	1.029.500.000	91.950	1.029.591.950
Total	10.642.000.000	950.491	10.642.950.491

(*) Interest accrued – as due based on contractual terms

23. Commitments

The Company had no capital or other commitments as at 31 December 2016.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

24. Events after the reporting period

On 13 January 2017, the common draft terms of the cross-border merge with parent company Cyfrowy Polsat S.A. have been published in the official Gazette of the Republic of Cyprus.

On 14 February 2017, an application was filed to the Limassol District Court requesting a pre-merge certificate.

On 7 March 2017, the pre-merge certificate was approved by the Limassol District Court.

The Company has been informed by Cyfrowy Polsat S.A. that the merger was effectively registered by Polish court as of 7 April 2017. The Company has been currently expecting to receive a relevant notification from Registrar of Companies in Cyprus.

The cross-border merger is expected to be completed after the signing of these financial statements.

Independent auditor's report on pages 5 to 8.