

Metelem Holding Company Limited

Original (signed)

***Report and
financial
statements***

06 April 2017



**METELEM HOLDING COMPANY
LIMITED**

FINANCIAL STATEMENTS

For the period from 1 January 2017 to 6 April 2017

METELEM HOLDING COMPANY LIMITED

FINANCIAL STATEMENTS

For the period from 1 January 2017 to 6 April 2017

CONTENTS

PAGE

Board of Directors and other officers	1
Independent auditor's report	2 - 4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 - 23

METELEM HOLDING COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS AS OF 6 APRIL 2017

Board of Directors:

Joanna Elia
Pantelis Christofides

Company Secretary:

Meritservus Secretaries Ltd of Limassol

Independent Auditors:

PricewaterhouseCoopers Cyprus

Legal Advisers:

L.Papaphilippou and Co LLC

Registered office:

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



Independent Auditor's Report

To the Board of Directors of Cyfrowy Polsat S.A.

Opinion

We have audited the financial statements of Metelem Holding Company Limited, now merged with Cyfrowy Polsat S.A. (the latter referred to as the "Company"), which are presented in pages 5 to 23 and comprise the balance sheet as at 6 April 2017, and the statements of comprehensive income, changes in equity and cash flows for the period from 1 January 2017 to 6 April 2017, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of these financial statements is International Financial Reporting Standards (IFRSs) adopted by European Union.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Metelem Holding Company Limited as at 6 April 2017, and of its financial performance and its cash flows for the period from 1 January 2017 to 6 April 2017 in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union.

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 and proceeded with its parent company Cyfrowy Polsat S.A. with a cross border merger, with the absorption of Metelem Holding Company Limited into its Polish 100% parent company Cyfrowy Polsat S.A.. The financial statements have been therefore prepared using the non-going concern basis of accounting. Our audit opinion is not modified in respect of this matter.

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Responsibilities of the Company's Directors for the Financial Statements

The Directors of the Company are 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 for such internal control as the Directors of the Company determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.
- 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 Company's 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.



Other Matter

This report, including the opinion, has been prepared for and only for the sole benefit of Cyfrowy Polsat S.A. 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 "PricewaterhouseCoopers".

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 21 May 2018

METELEM HOLDING COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January 2017 to 6 April 2017

	Note	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Interest income	6	48.234	24.695.025
Other (losses)/gains - net	7	(2.724.342)	17.206.052
Administration expenses	8	(228.374)	(888.905)
Operating (loss)/profit		(2.904.482)	41.012.172
Finance costs	10	-	(41.130)
(Loss)/profit before tax		(2.904.482)	40.971.042
Tax	11	(14.654)	(3.106.067)
Net (loss)/profit for the period/year		(2.919.136)	37.864.975
Other comprehensive income		-	-
Total comprehensive (loss)/income for the period/year		(2.919.136)	37.864.975

The notes on pages 9 to 23 form an integral part of these financial statements.

METELEM HOLDING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

6 April 2017

	Note	06/04/2017 PLN	31/12/2016 PLN
ASSETS			
Non-current assets			
Property, plant and equipment	12	1.936	2.122
Investments in subsidiaries	13	6.136.483.138	6.136.483.138
Loans receivable	14	605.357	627.708
		<u>6.137.090.431</u>	<u>6.137.112.968</u>
Current assets			
Trade and other receivables	15	49.850	11.904
Loans receivable	14	213.180	221.310
Cash and cash equivalents	16	53.773.403	58.338.426
		<u>54.036.433</u>	<u>58.571.640</u>
Total assets		<u>6.191.126.864</u>	<u>6.195.684.608</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		511.566.492	514.485.628
Total equity		<u>6.190.973.717</u>	<u>6.193.892.853</u>
Current liabilities			
Trade and other payables	19	138.493	36.555
Current tax liabilities	20	14.654	1.755.200
		<u>153.147</u>	<u>1.791.755</u>
Total equity and liabilities		<u>6.191.126.864</u>	<u>6.195.684.608</u>

On 21 May 2018 the Board of Directors of Cyfrowy Polsat S.A. (the surviving entity in a cross-border merger conducted effectively on 7 April 2017 between Metelem Holding Company Limited and Cyfrowy Polsat S.A.) authorised these financial statements for issue.


Aneta Jaskólska
Member of the Management
Board of Cyfrowy Polsat S.A.


Katarzyna Ostap-Tomann
Member of the Management
Board of Cyfrowy Polsat S.A.

The notes on pages 9 to 23 form an integral part of these financial statements.

METELEM HOLDING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

For the period from 1 January 2017 to 6 April 2017

	Share capital PLN	Share premium PLN	Retained earnings PLN	Total PLN
Balance at 1 January 2016	9.233.061	5.670.174.164	476.620.653	6.156.027.878
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/ 1 January 2017	9.233.061	5.670.174.164	514.485.628	6.193.892.853
Comprehensive loss				
Net loss for the period	-	-	(2.919.136)	(2.919.136)
Total comprehensive income for the period	-	-	(2.919.136)	(2.919.136)
Balance at 6 April 2017	9.233.061	5.670.174.164	511.566.492	6.190.973.717

The notes on pages 9 to 23 form an integral part of these financial statements.

METELEM HOLDING COMPANY LIMITED

STATEMENT OF CASH FLOWS

For the period from 1 January 2017 to 6 April 2017

	Note	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(2.904.482)	40.971.042
Adjustments for:			
Depreciation of property, plant and equipment	12	186	707
Interest income	6	(48.234)	(24.695.025)
Interest expense	10	-	41.130
Net foreign exchange differences		<u>2.764.613</u>	<u>(15.679.468)</u>
Cash flows from operations before working capital change		(187.917)	638.386
Change in trade and other receivables		(37.946)	(7.621)
Change in trade and other payables		<u>103.136</u>	<u>(39.006)</u>
Cash (used in)/generated from operations		(122.727)	591.759
Tax paid		<u>(1.725.828)</u>	<u>(13.889.947)</u>
Net cash used in operating activities		(1.848.555)	(13.298.188)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		43.861	-
Loans granted during the year		-	(734.996)
Loans repaid during the year		-	1.402.889.341
Interest repaid during the year		-	1.067.755
Cash contribution to subsidiary	13	<u>-</u>	<u>(1.338.441.920)</u>
Net cash generated from investing activities		43.861	64.780.180
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	5.844.930
Repayments of borrowings		-	(5.567.380)
Interest paid		<u>-</u>	<u>(40.842)</u>
Net cash generated from financing activities		-	236.708
Net (decrease)/increase in cash and cash equivalents		(1.804.694)	51.718.700
Cash and cash equivalents at beginning of the period/year		58.338.426	4.016.296
Effect of exchange rate fluctuations on cash held		<u>(2.760.329)</u>	<u>2.603.430</u>
Cash and cash equivalents at end of the period/year	16	53.773.403	58.338.426

The notes on pages 9 to 23 form an integral part of these financial statements.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

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. As at 6 April 2017 its registered office was at 3 Chrysanthou Mylona Street, Office no. 102, CY 3030 Limassol, Cyprus.

On 7 April 2017 the Company completed a cross-border merger ("Merger") with Cyfrowy Polsat S.A. The surviving entity was Cyfrowy Polsat S.A. As a result of the Merger the Company was dissolved without going into liquidation on 7 April 2017. The financial statements have been therefore prepared using the non-going concern basis of accounting. The only significant non-current asset of the Company is the investment in its subsidiary which will be eliminated upon the cross-border merger ("Merger").

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 6 April 2017. The Company is indirectly controlled by Mr. Zygmunt Solorz.

As of 6 April 2017 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 (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements have been prepared for the period from 1 January 2017 to 6 April 2017. Therefore the comparative figures for the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related notes are not entirely comparable.

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 are prepared by Cyfrowy Polsat S.A. the Company's direct Parent.

(b) Basis of measurement

The financial statements have been prepared under historical cost conversion.

(c) Adoption of new and revised IFRSs and Interpretations

As from 1 January 2017 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 2017. This adoption did not have a material effect on the accounting policies of the Company.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

2. Basis of preparation (continued)

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.

(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 period. 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 periods 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 method. When a loan 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 are charged to profit or loss as incurred.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

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

Period from 1 January 2017 to 6 April 2017

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 recognised 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 reorganisation, and default of 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 recognised 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 Company Law on reduction of share capital.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

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 the 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:

	06/04/2017 PLN	31/12/2016 PLN
Fixed rate instruments		
Bank deposits	53.321.280	-
Loans receivables	<u>818.537</u>	<u>849.018</u>
	<u>54.139.817</u>	<u>849.018</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

4. Financial risk management (continued)

Financial risk factors (continued)

(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.

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

	United State Dollars		Euro	
	06/04/2017	31/12/2016	06/04/2017	31/12/2016
	PLN	PLN	PLN	PLN
Loans receivable	-	-	818.537	849.018
Trade and other receivables	-	-	2.121	4.446
Cash and cash equivalents	53.760.901	58.219.526	10.081	118.899
Trade and other payables	-	-	(138.493)	(36.555)
	<u>53.760.901</u>	<u>58.219.526</u>	<u>692.246</u>	<u>935.808</u>

Sensitivity analysis

A 10% strengthening of the Polish Zloty against the following currencies at 6 April 2017 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	
	2017	2016
	PLN	PLN
United States Dollars	(5.376.090)	(5.821.953)
Euro	<u>(69.225)</u>	<u>(93.581)</u>
	<u>(5.445.315)</u>	<u>(5.915.534)</u>

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:

	06/04/2017	31/12/2016
	PLN	PLN
Bank deposits	53.321.280	-
Loans receivable	818.537	849.018
Bank current accounts	451.817	58.338.242
Trade and other receivables	<u>49.850</u>	<u>11.904</u>
	<u>54.641.484</u>	<u>59.199.164</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

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.

6 April 2017

	Carrying amounts PLN	Contractual cash flow PLN	3 months or less PLN	Between 3-12 months PLN
Trade and other payables	138,493	138,493	74,111	64,382
	138,493	138,493	74,111	64,382

31 December 2016

	Carrying amounts PLN	Contractual cash flow PLN	3 months or less PLN	Between 3-12 months PLN
Trade and other payables	36,555	36,555	2,862	33,693
	36,555	36,555	2,862	33,693

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

Period from 1 January 2017 to 6 April 2017

5. Critical accounting estimates and judgments

Estimates and judgments 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

	01/01/2017- 06/04/2017	01/01/2016- 31/12/2016
	PLN	PLN
Interest on bank deposits	43.861	-
Interest income on loan to Eileme 2 AB (publ)	2.503	3.593
Interest income on loan to Orsen Ltd.	1.025	110
Interest income on loan to Grab S.a.r.l	845	3.400
Interest income on Promissory Note of Eileme 1 AB (publ)	-	24.687.922
	<u>48.234</u>	<u>24.695.025</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

7. Other (losses)/gains - net

	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Net foreign exchange differences	(2.764.613)	17.196.031
Guarantee income	40.271	10.021
	<u>(2.724.342)</u>	<u>17.206.052</u>

8. Expenses by nature

	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Administration expenses	171.800	241.251
Accounting fees	22.207	23.978
Bank charges	6.431	100.217
Operating lease rentals	4.406	26.559
Depreciation and amortisation expense	186	707
Other expenses	14.862	42.955
Staff costs (Note 9)	-	353.109
Stamp duty	-	88.946
Auditors' remuneration - current period	8.482	10.529
Auditors' remuneration - prior years	-	654
Total expenses	<u>228.374</u>	<u>888.905</u>

9. Staff costs

	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Salaries	-	322.530
Social insurance costs	-	21.575
Social cohesion fund	-	4.234
Special contribution	-	1.508
Other funds	-	3.262
	<u>-</u>	<u>353.109</u>

Average number of employees

-	4
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10. Finance costs

	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Interest expense	-	41.130
	<u>-</u>	<u>41.130</u>

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

11. Tax

	01/01/2017- 06/04/2017	01/01/2016- 31/12/2016
	PLN	PLN
Corporation tax - current period/year	1.496	3.082.400
Corporation tax - prior years	-	23.667
Defence contribution - current period/year	13.158	-
Charge for the period/year	14.654	3.106.067

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

	01/01/2017- 06/04/2017	01/01/2016- 31/12/2016
	PLN	PLN
(Loss)/profit before tax	(2.904.482)	40.971.042
Tax calculated at the applicable tax rates	(363.060)	5.121.380
Tax effect of expenses not deductible for tax purposes	370.062	110.524
Tax effect of allowances and income not subject to tax	(5.506)	(2.149.504)
Defence contribution current period	13.158	-
Prior year tax	-	23.667
Tax charge	14.654	3.106.067

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%.

12. Property, plant and equipment

	Computer Hardware PLN
Cost	
Balance at 1 January 2016	3.536
Balance at 31 December 2016/ 1 January 2017	3.536
Balance at 6 April 2017	3.536
Depreciation	
Balance at 1 January 2016	707
Charge for the period	707
Balance at 31 December 2016/ 1 January 2017	1.414
Charge for the period	186
Balance at 6 April 2017	1.600
Net book amount	
Balance at 31 December 2016	2.122
Balance at 6 April 2017	1.936

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

13. Investments in subsidiaries

	2017 PLN	2016 PLN
Balance at 1 January	6.136.483.138	4.798.041.218
Cash contribution *	-	1.338.441.920
Balance at 6 April/31 December	6.136.483.138	6.136.483.138

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	06/04/2017 Holding %	31/12/2016 Holding %	06/04/2017 PLN	31/12/2016 PLN
Eileme 1 AB (Publ)	Sweden	Holding company, financing and refinancing	100,00	100,00	6.136.483.138	6.136.483.138

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.

*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.

14. Loans receivable

	06/04/2017 PLN	31/12/2016 PLN
Loan to Eileme 2 AB (publ)	514.906	534.514
Loan to Orsen Ltd.	213.180	221.310
Loan to Grab S.a.r.l.	90.451	93.194
	818.537	849.018

In the above:

	06/04/2017 PLN	31/12/2016 PLN
Non-current portion	605.357	627.708
Current portion	213.180	221.310
	818.537	849.018

	2017 PLN	2016 PLN
Balance at 1 January	849.018	1.366.053.612
Loans granted for the period/year	-	734.996
Interest charged for the period/year	4.373	24.695.025
Repayments of capital for the period/year	-	(1.402.889.341)
Repayments of interest for the period/year	-	(1.067.755)
Exchange differences for the period/year	(34.854)	13.322.481
Balance at 6 April/31 December	818.537	849.018

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.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

15. Trade and other receivables

	06/04/2017	31/12/2016
	PLN	PLN
Guarantee fee due from Polkomtel Sp. z o.o.	43.587	7.201
Guarantee fee due from Cyfrowy Polsat S.A.	4.142	256
Deposits	2.121	4.447
	<u>49.850</u>	<u>11.904</u>

The fair values of trade and other receivables approximate their carrying amounts at the reporting date.

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

16. Cash and cash equivalents

Cash balances are analysed as follows:

	06/04/2017	31/12/2016
	PLN	PLN
Bank deposits	53.321.280	-
Current accounts	451.817	58.338.242
Cash in hand	306	184
	<u>53.773.403</u>	<u>58.338.426</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

	2017 Number of shares	2017 PLN	2016 Number of shares	2016 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 6 April/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 6 April 2017 and as at 31 December 2016:

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).

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

18. Other reserves

	Share premium PLN	Retained earnings PLN	Total PLN
Balance at 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/ 1 January 2017	5.670.174.164	514.485.628	6.184.659.792
Loss for the period	-	(2.919.136)	(2.919.136)
Balance at 6 April 2017	5.670.174.164	511.566.492	6.181.740.656

Share premium is not available for distribution.

19. Trade and other payables

	06/04/2017 PLN	31/12/2016 PLN
Accruals	112.188	33.693
Trade payables	26.305	2.862
	138.493	36.555

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

20. Current tax liabilities

	06/04/2017 PLN	31/12/2016 PLN
Special contribution for defence	13.158	-
Corporation tax	1.496	1.755.200
	14.654	1.755.200

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 Guarantee income

	Party relationship	01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Polkomtel Sp. z o.o.	Entity indirectly controlled by the Company	36.385	9.003
Cyfrowy Polsat S.A.	Parent company	3.886	1.018
		40.271	10.021

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

21. Related party transactions (continued)

21.2 Interest income

		01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Eileme 2 AB (publ)	Party relationship		
Orsen Ltd.	Entity indirectly controlled by the Company	2.503	3.593
	Entity controlled by the person who controls Metelem Holding Company Limited	1.025	110
Grab S.a.r.l.	Entity controlled by the person who controls Metelem Holding Company Limited	845	3.400
Eileme 1 AB (publ)	Subsidiary	-	24.687.922
		<u>4.373</u>	<u>24.695.025</u>

21.3 Interest expense

		01/01/2017- 06/04/2017 PLN	01/01/2016- 31/12/2016 PLN
Cyfrowy Polsat S.A.	Party relationship		
	Parent company	-	41.130
		<u>-</u>	<u>41.130</u>

21.4 Receivables from related parties

		06/04/2017 PLN	31/12/2016 PLN
Polkomtel Sp. z o.o.	Party relationship		
	Entity indirectly controlled by the Company	43.587	7.201
Cyfrowy Polsat S.A.	Parent company	4.142	256
		<u>47.729</u>	<u>7.457</u>

21.5 Loans to related parties (Note 14)

		06/04/2017 PLN	31/12/2016 PLN
Eileme 2 AB (publ)	Party relationship		
Orsen Ltd.	Entity indirectly controlled by the Company	514.906	534.514
	Entity controlled by the person who controls Metelem Holding Company Limited	213.180	221.310
Grab S.a.r.l.	Entity controlled by the person who controls Metelem Holding Company Limited	90.451	93.194
		<u>818.537</u>	<u>849.018</u>

21.6 Loans from related parties:

Borrowings from parent entity:

	2017 PLN	2016 PLN
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 the year	<u>-</u>	<u>-</u>

On 26 January 2016 the Company was granted a loan amounting to EUR 1.300.000 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.

METELEM HOLDING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period from 1 January 2017 to 6 April 2017

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 06/04/2017	PLN Interest accrued as at 06/04/2017(*)	PLN Total
Term Loan drawn by Polkomtel Sp. z o.o.	9.429.000.000	5.052.911	9.434.052.911
Term Loan drawn by Cyfrowy Polsat S.A.	979.000.000	524.637	979.524.637
Total	10.408.000.000	5.577.548	10.413.577.548

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

23. Commitments

The Company had no capital or other commitments as at 6 April 2017.

24. Events after the reporting period

On 7 April 2017 the Company completed a cross-border merger ("Merger") with Cyfrowy Polsat S.A. The surviving entity was Cyfrowy Polsat S.A. As a result of the Merger effectively on 7 April 2017:

- The Company was dissolved without going into liquidation;
- All the Company's assets and liabilities were transferred to the Cyfrowy Polsat S.A. by way of universal succession.

Independent auditor's report on pages 2 to 4.

