The Polish original should be referred to in matters of interpretation.
Translation of auditor's report originally issued in Polish.

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INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

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

Audit report on the annual financial statements

Opinion

We have audited the annual financial statements of Cyfrowy Polsat S.A. (the 'Company') located in Warsaw at Łubinowa 4A, containing: balance sheet as at 31 December 2018, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity for the period from 1 January 2018 to 31 December 2018 and notes to the financial statements (the 'financial statements').

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2018 and its financial performance and its cash flows for the period from 1 January 2018 to 31 December 2018 in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union ('IFRS') and the adopted accounting policies,

- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,

- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the 'Accounting Act').

The opinion is consistent with the additional report to the Audit Committee issued on 20 March 2019.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the 'Act on Statutory Auditors') and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the 'Regulation 537/2014'). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report.

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We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the 'Code of ethics'), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the Regulation 537/2014.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
First year audit The financial statements of the Company for the year ended 31 December 2018 were the first being subject to our audit. Bearing in mind the size and scope of operations of the Company, the key was to understand the complexity of the Company's organizational structure and its impact on processes within the Company. During the audit of the financial statements, we performed a number of additional procedures necessary to understand and gain knowledge about: (i) the Company's business profile and its accompanying processes, (ii) specific	Our audit procedures in response to the described key audit matter included among others: - conducting the kick-off meeting with key personnel responsible for financial reporting of the Company; - gaining an understanding of the control mechanisms implemented by the Company and testing of selected control mechanisms in relation to individual processes; - understanding of the Company's accounting policy and significant amounts included in the

risks related to the business, (iii) control mechanisms implemented by the Company and policies affecting financial reporting of the Company. These procedures allowed us to assess the risk of the audit, including inherent audit risk and control risk, identify the risk of material misstatement, and in consequence to determine materiality levels and the scope of audit procedures. In addition, as a part of the first year audit, the purpose of our additional procedures was to determine whether opening balances contain misstatements that materially affect the financial statements for the current period and whether the accounting policies were correctly and continuously accounted for in preparation of the financial statements for the current period, or whether changes that were made during the period were properly accounted and presented in accordance with the applicable financial reporting framework.	financial statements based on professional judgement and estimates; - meeting with the key auditor acting on behalf of the predecessor audit firm, including discussion on key audit matters and review of the documentation from the prior year audit; - assessment of key audit matters from prior financial year and their impact on the financial statements of the Company for the current period and on the opening balance. The results of our procedures, as well as the audit strategy determined taking those results into considerations, have been communicated to the Management and the Audit Committee of the Company.
<u>Revenue recognition and accounting</u> Revenues from sales of the Company for the year ended 31 December 2018 amounted to PLN 2 354.5 million. Revenue recognition was assessed as a key audit matter due to the fact that the accuracy of the revenue recognition is an inherent industry risk. This is because of the complexity of the billing and other IT systems, that process large volumes of data, combination of different products and services offered, including bundled offers.	In the course of performed audit procedures, we have documented our assessment of Company's accounting policies in regards to revenue recognition and accounting in accordance with IFRS 15 and related key judgements and estimates applied by the Company's Management. Additionally, our procedures included, among others: - understanding of the process of implementation of IFRS 15 including identification of significant revenue streams;

Furthermore, the application of International Financial Reporting Standard 15 'Revenue from contracts with customers' ('IFRS 15'), in particular its first time implementation, involves a number of key judgements and estimates, that are related among others to identification of the performance obligations, determination of the transaction price or identification of material rights, as well as calculation of the impact of the above standard as at 1 January 2018. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to revenue recognition are included in note 6 'Accounting policies' to the financial statements. Disclosure on the first time adoption of IFRS 15 is included in note 5 'Implementation of IFRS 9 and IFRS 15' to the financial statements. Disclosures on revenue are included in note 9 'Revenue' to the financial statements.	- understanding of the processes of revenue recognition, as well as identification and assessment of key controls mechanisms; - testing of controls over revenue related processes; - evaluation of relevant IT systems, including testing of controls in place which included manage changes as well as logical access controls in IT systems used in the revenue recognition processes; - analytical procedures, including analysis of monthly trends and data for significant revenue streams versus budgets and forecasts; - reconciliation of balances of contract assets, contract costs and contract liabilities to source documentation; - substantive testing on sample of agreements and invoices for customers in respect of revenue recognition and verification of payments received; - analysis of allowance for bad debt, capitalized contract costs and contract assets, including assessment of the adequacy of methodology applied for the purpose of allowance calculation as well as analysis of significant, unsettled balances. We also assessed the adequacy of the Company's disclosures in respect of the revenue recognition and accounting in the financial statements.
<u>Fixed assets (including goodwill) impairment analysis</u> As at 31 December 2018 the Company presents fixed assets in the amount of PLN 12 933.9 million (including goodwill of PLN 197 million), which constitute	Our audit procedures in relation to the described key audit matter, included among others:

93.5% and 1.4% of total assets respectively. Under requirements of IAS 36 'Impairment of assets' ('IAS 36'), the Company is required to test the amount of fixed assets for impairment in the financial statements. For the purpose of impairment tests the Company's Management used certain judgements such as: (i) identification of cash generating units ('CGU') and allocation of goodwill to these cash generating units, (ii) continuance of current and expected market and economics conditions, (iii) expected revenue and costs levels, (iv) planned CAPEX, (v) weighted average cost of capital ("WACC"). This matter was considered key audit matter from the financial statements perspective, due to the following (i) significance of the above-mentioned non-current assets in the financial statements, (ii) intangible nature of significant part of the above- mentioned assets, (iii) significance of the impact of Company's Management professional judgement necessary to establish the carrying amounts of non-current assets based on discounted cash flows, which are uncertain by default. *Reference to related disclosures in the financial statements* Disclosure related to applied accounting policies and key judgements related to	- understanding and assessment of the accounting policies and procedures applied (including internal control environment) in the area of assessment of impairment indicators, identification of the events indicating the impairment as well as impairment tests; - understanding and assessment of the judgements and estimates used by the Company's Management in relation to grouping the assets within CGUs and goodwill allocation; - assessment, with involvement of the valuation specialists, of assumptions and estimates made by the Company's Management and used for the purposes of defining the recoverable amount, including: (i) applied future key macroeconomic assumptions (including: discount rate, forecasted growth rate) by benchmarking to market data and observable external data, (ii) assumptions applied for establishing terminal values i.e. cash flows and interest rate after the forecast period; - verification of mathematical accuracy of discounted cash flows model; - inquiring the financial personnel and Company's Management about status of historical accuracy of assumptions made, including validity and applicability of these key assumptions; - analysis of information from external sources such as industry press in reference to potential risks related to realization of the assumptions made by the Company's Management; - reconciliation of the source data being the basis for the impairment test models and assessment of impairment indicators based on forecasts and budgets;

the impairment of assets are included in note 6 'Accounting policies' to the financial statements. Disclosures related to key estimates and assumptions, including sensitivity analysis as well as results of impairments tests of assets, goodwill and intangible assets with indefinite useful life, which were prepared by the Company's Management, are included in note 17 'Impairment test on goodwill allocated to the *Services to individual and business customers* cash-generating unit' and in the note 46 'Judgments, financial estimates and assumptions' to the financial statements.	- comparison of Company's equity balance as of 31 December 2018 with its market capitalization; - assessing the sensitivity analysis of the models prepared by the Company's Management to changes in significant assumptions. We also assessed the adequacy of the disclosures made in the financial statements describing the impairment test and sensitivity analysis.
Claims, disputes and contingent liabilities Due to its complex structure and the fact that the Company is operating in constantly changing legal and regulatory environment, the Company is a party to court and administrative proceedings, including tax and regulatory authorities. The decision whether to create the provisions and in what amount, as well as the estimate and scope of disclosures of contingent liabilities are subject to the Company's judgments, often based on currently available information on the legal status of the proceedings, which involves an inherent risk of uncertainty. Consequently, claims, disputes and contingent liabilities were assessed as a key audit matter.	Our audit procedures in relations to the described key audit matter, included among others: - understanding and evaluation of the applied procedures, including the internal control environment relating to the identification, recognition and measurement of events indicating the need to recognize provisions or making disclosures in the financial statements; - monitoring of information from the external sources in order to identify the Company's breach or potential breach of laws and regulations; - analysis and evaluation, with the support of our tax law specialists, of the responses received from law and tax offices responsible for conducting court, tax and administrative proceedings on behalf of the Company, including an assessment of the probability of negative resolutions of these proceedings;

Reference to related disclosures in the financial statements Disclosure related to applied accounting policies and key judgements related to the provisions and contingent liabilities are included in note 6 'Accounting policies' to the financial statements. Disclosures related to the claims, disputes and contingent liabilities are included in note 40 ' Litigations', note 44 'Important agreements and events' and note 46 'Judgments, financial estimates and assumptions' to the financial statements.	- analysis and assessment of contingent liabilities and changes in the value of provisions for claims and litigations; - review of minutes from meetings of the decision making bodies of the Company as well as protocols from the controls conducted by supervisory authorities and correspondence with these authorities. We also assessed the adequacy of disclosures regarding significant pending court, out-of-court and tax proceedings and contingent liabilities in the Company's financial statements.
Taxation (current and deferred tax) The current composition of the capital group, in which the Company is a parent is a result of consolidation, structure-related activities and other transactions involving assets of considerable value, implemented over the recent years by and between the group's companies. Those activities had an effect on the tax settlements, deferred tax assets and deferred tax liabilities not only for the companies directly involved in such consolidation, structure-related activities and other transactions involving assets of considerable value, but also on respective members or shareholders. Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also	Our audit procedures in relations to the described key audit matter, included among others: - understanding and assessment of the procedures applied, including internal control environment, in the area of accounting for tax purposes (current and deferred income tax); - analysis of tax rulings possessed by the Company, internal and external analyses supporting executed structure-related activities and adopted treatment for the tax purposes by the Company; - analysis of approach of predecessor auditor in respect of transactions executed in the previous years; - analysis of current correspondence with tax authorities; - monitoring of current case-law and tax rulings for cases where the fact pattern and considered issue were similar to the state and

contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between tax administration units as well as tax administration authorities and entrepreneurs. In the light of these ambiguities, the final tax treatment application of particular economic transactions may not be known until issuance of the final administration decision by the relevant tax authority or the courts. Based on the above, in accordance with the IFRS, an administration or court dispute or fact of examination of a particular tax treatment by the authorized government authority may affect the Company's accounting for a current or deferred tax asset or liability. Consequently, the Company's Management considered key judgements and estimates in respect of most likely outcomes of tax conclusions made by tax organs. Additionally, on 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR are targeted to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. The Management carries out ongoing assessment on tax treatment of particular significant economic transactions in the context of GAAR. As at 31 December 2018, the Company's Management performed detailed analysis of the deferred tax assets recoverability.	issues existing in the Company (including past transactions impacting deferred tax position); - analysis and assessment, with assistance of tax experts, obtained responses from Company's tax advisors of regarding status of tax controls, including estimation of probability of unfavorable outcome, including significant transactions from previous years having an impact on tax settlements or recognition of additional deferred tax assets or decrease of deferred tax liabilities; - understanding of the current and deferred tax computation process and assessment of key control mechanisms in this area; - review of deferred tax asset recoverability model; - analysis of assumptions used for recognition and computation of deferred tax and their consistency with the analysis of goodwill impairment test and financial forecasts prepared by the Company's Management. We have also assessed the adequacy of disclosures relating to taxes (both current and deferred) included in the financial statements.

In addition, Company's Management's assessment process in respect to deferred tax asset recoverability is based on assumptions, specifically the timing and amount of future taxable profits, against which deductible temporary differences and tax losses carried forward can be utilized. Due to the significance of tax settlements and significant element of Company's Management judgement related to interpretation of tax regulations as well as, in many cases, lack of unequivocal certification, we considered this topic as key audit matter. *Reference to related disclosures in the financial statements* Disclosures on taxes are included in note 13 'Income tax', note 41 'Other disclosures', note 44 'Important agreements and events' and note 46 'Judgments, financial estimates and assumptions' of the financial statements as well as in "Key risk and threat factors" included in the Company's Management Report for the period from 1 January 2018 to 31 December 2018.	

Other matters

The financial statements for the prior financial year ended 31 December 2017 were subject to an audit by a key certified auditor acting on behalf of another authorised audit firm, who on 21 March 2018 issued an unqualified opinion on these financial statements.

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Responsibilities of the Company's Management and members of the Supervisory Board for the financial statements

The Company's Management is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union, the adopted accounting policies, other applicable laws, as well as the Company's Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Company's Management and the members of the Company's Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company's Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility 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 due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management.

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Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional skepticism and 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 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 Company's Management,

- conclude on the appropriateness of the Company's Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent 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 independent 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 fair presentation.

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

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

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

Other information, including the Directors' Report

The other information comprises the Directors' Report for the period from 1 January 2018 to 31 December 2018, the representation on the corporate governance and the representation on preparation of the statement on non-financial information, mentioned in article 49b, section 1 of the Accounting Act as a separate element of the Directors' Report (jointly 'Other Information').

Responsibilities of the Company's Management and members of the Supervisory Board

The Company's Management is responsible for the preparation the Other Information in accordance with the law.

The Company's Management and members of the Company's Supervisory Board are required to ensure that the Directors' Report (with separate elements) meets the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during 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 in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company has prepared the representation on non-financial information and to issue an opinion on whether the Company has included the required information in the representation on application of corporate governance.

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Opinion on the Directors' Report

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the 'Decree on current and periodic information'),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

Opinion on the corporate governance application representation

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

Information on non-financial information

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has included in Directors' Report information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any attestation procedures services in respect to the separate report on non-financial information and do not express any assurance in its respect.

Representation on the provision of non-audit services

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which we have provided to the Company and its subsidiaries, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of Regulation 537/2014 and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company and its subsidiaries in the audited period, have been disclosed in the Directors' Report.

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Appointment of the audit firm

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Supervisory Board from 23 January 2018. We are auditing the financial statements of the Company for the first time.

Warsaw, 20 March 2019

Key Certified Auditor

Jarosław Dac
certified auditor
no in the register: 10138

on behalf of:
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
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