



KINO POLSKA TV S.A.

KINO POLSKA TV S.A.

CONSOLIDATED REPORT FOR THE

1ST QUARTER OF 2017

THE KINO POLSKA TV S.A. GROUP

**Consolidated quarterly report for the
3-month period ended 31 March 2017**

containing

**Interim condensed financial statements of
the Kino Polska TV S.A. Group**

and

**Quarterly financial information of Kino Polska TV S.A.
for the 3-month period ended 31 March 2017
("the Report")**



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This Report of the Kino Polska TV S.A. Group (“the Group”) has been prepared in accordance with para. 82, clause 2 and para. 83, clause 1 of the Decree of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and conditions for considering as equivalent the information required under the legislation of a non-Member State (“the Decree”) for the first quarter of the financial year 2017 covering the period from 1 January 2017 to 31 March 2017, and it contains the condensed financial statements and information about the operations of Kino Polska TV S.A. (“the Company” or “the Issuer”).

Based on para. 83, clause 1 of the Decree, Kino Polska TV S.A. has not submitted a separate interim stand-alone report and has included quarterly financial information in this Report.

Warsaw, 11 May 2017

**REPRESENTATIONS ON THE APPROVAL
OF THE CONSOLIDATED QUARTERLY REPORT
OF THE KINO POLSKA TV S.A. GROUP**

This consolidated quarterly report of the Kino Polska TV S.A. Group for the 3-month period ended 31 March 2017 was approved by the Management Board of Kino Polska TV S.A. on 11 May 2017.

Management Board of Kino Polska TV S.A.:

Bogusław Kisielewski
President of
the Management Board

Berk Uziyel
Member of
the Management Board

Marcin Kowalski
Member of
the Management Board

Alber Uziyel
Member of
the Management Board

Person responsible for maintaining
the books of account:

Dominika Talaga-Spławska
Chief Accountant



I. SELECTED FINANCIAL DATA

1. General information about the Issuer and its Group

Kino Polska TV S.A. (“the Company”, “the Issuer”) has been operating on the media market since June 2003 (then under the name of Kino Polska TV Sp. z o.o.) and is entered in the Register of Businesses of the National Court Register, maintained by the District Court for the capital city of Warsaw, 13th Business Department, with the reference number KRS 0000363674.

On 24 August 2010, the transformation of the Company into a joint stock company was registered.

On 12 April 2011, Kino Polska TV S.A. made its debut on the Warsaw Stock Exchange.

Registered office of Kino Polska TV S.A.: ul. Puławska 61, 02-595 Warsaw;

Head Office of Kino Polska TV S.A.: ul. Puławska 435A, 02-801 Warsaw;

Telephone: 22 356 74 00, **Fax:** 22 356 74 01;

Website: www.kinopolska.pl.

Composition of the Management Board of Kino Polska TV S.A. in the 3-month period ended 31 March 2017:

- Bogusław Kisielewski – President of the Management Board;
- Berk Uziyel – Member of the Management Board;
- Marcin Kowalski – Member of the Management Board;
- Alber Uziyel – Member of the Management Board.

Composition of the Supervisory Board of Kino Polska TV S.A. in the 3-month period ended 31 March 2017:

- Loni Farhi – Chairman of the Supervisory Board;
- Stacey Sobel – Deputy Chairman of the Supervisory Board;
- Piotr Orłowski – Member of the Supervisory Board;
- Piotr Reisch – Member of the Supervisory Board;
- Krzysztof Rudnik – Member of the Supervisory Board;
- Leszek Stypułkowski – Member of the Supervisory Board;
- Katarzyna Woźnicka – Member of the Supervisory Board.

In the period covered by this Report, the Group conducted activities in the following areas:

- broadcasting television channels: Telewizja Kino Polska, Kino Polska Muzyka, Zoom TV, FilmBox, and theme channels (including sales of advertising spots);
- production of television channels;
- sales of licensing rights.

As at 31 March 2017, the Group was composed of the following entities:

- Kino Polska TV S.A. (Poland) – the Parent;
- Cable Television Networks & Partners sp. z o.o. (“CTN&P”, Poland) – a subsidiary;
- Cyfrowe Repozytorium Filmowe Sp. z o.o. (“CRF”, Poland) – a subsidiary;
- KPTV Media Sp. z o.o. (“KPTV Media”, Poland) – a subsidiary;
- Filmbox International Ltd. (Great Britain) – a subsidiary;
 - Help Film s.r.o. (Czech Republic) – an indirect subsidiary;
 - Help Film Slovakia s.r.o. (Slovakia) – an indirect subsidiary;
 - SPI International Magyarország, Kft. (Hungary) – an indirect subsidiary.

On 22 March 2017, the Issuer purchased from its subsidiary, KPTV Media Sp. z o.o., 164 shares in Cable Television Networks & Partners sp. z o.o., representing a 21% interest in its share capital, for a total price (“the Selling Price”) of PLN 10,000,000.00 (in words: ten million zlotys).

Due to the aforementioned transaction, at present the Issuer holds (in a direct manner) 549 shares in CTN&P, which represents 70% of all shares in this company.

The transaction was an intra-Group transaction and was conducted in order to simplify CTN&P’s ownership structure.

2. Selected consolidated financial data of the Kino Polska TV S.A. Group

Selected financial data		3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
		in PLN'000		in EUR'000	
I	Sales	28,778	27,118	6,710	6,323
II	Operating profit	3,150	4,672	734	1,089
III	Profit before tax	2,929	4,721	683	1,101
IV	Total comprehensive income	1,972	5,042	460	1,176
V	Weighted average number of shares (not in thousands)	19,821,404	19,821,404	19,821,404	19,821,404
VI	Net earnings per share attributable to the equity holders of the Parent (not in thousands)	0.11	0.26	0.03	0.06
VII	Net cash from operating activities	(4,797)	8,580	(1,118)	2,000
VIII	Net cash from investing activities	(1,445)	5,171	(337)	1,206
IX	Net cash from financing activities	1,778	(98)	415	(23)
X	Cash and cash equivalents as at the end of the period	4,542	20,845	1,059	4,860
		<i>As at 31 March 2017 (unaudited)</i>	<i>As at 31 December 2016</i>	<i>As at 31 March 2017 (unaudited)</i>	<i>As at 31 December 2016</i>
		in PLN'000		in EUR'000	
XI	Non-current assets	84,798	82,563	20,095	19,566
XII	Current assets	46,782	48,043	11,086	11,385
XIII	Total assets	131,580	130,606	31,182	30,951
XIV	Non-current liabilities	32,083	32,035	7,603	7,592
XV	Current liabilities	31,084	32,130	7,366	7,614
XVI	Equity	68,413	66,441	16,212	15,745
XVII	Share capital	1,982	1,982	470	470

The above financial data was translated into EUR in accordance with the following rules:

- assets and equity & liabilities – at the mid exchange rate determined by the National Bank of Poland, in force as at 31 March 2017 – 4.2198 PLN/EUR;
- individual items of the statement of comprehensive income and the statement of cash flows – at the mid exchange rate calculated as the arithmetic mean of the exchange rates in force as at the last day of each month in the period from 1 January 2017 to 31 March 2017, determined by the National Bank of Poland – 4.2891 PLN/EUR.

3. Selected separate financial data of Kino Polska TV S.A.

Selected financial data		3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)	3 months ended 31 March 2017 (unaudited)	3 months ended 31 March 2016 (unaudited)
		in PLN'000		in EUR'000	
I	Sales	27,375	29,195	6,382	6,807
II	Operating profit	5,382	6,540	1,255	1,525
III	Profit before tax	5,440	6,489	1,268	1,513
IV	Total comprehensive income	4,736	5,625	1,104	1,311
V	Weighted average number of shares (not in thousands)	19,821,404	19,821,404	19,821,404	19,821,404
VI	Net earnings per share on continuing operations (not in thousands)	0.24	0.28	0.06	0.07
VII	Net cash from operating activities	(2,737)	8,868	(638)	2,068
VIII	Net cash from investing activities	1,318	7,499	307	1,748
IX	Net cash from financing activities	(76)	(1,996)	(18)	(465)
X	Cash and cash equivalents as at the end of the period	1,333	16,842	311	3,927
		<i>As at 31 March 2017 (unaudited)</i>	<i>As at 31 December 2016</i>	<i>As at 31 March 2017 (unaudited)</i>	<i>As at 31 December 2016</i>
		in PLN'000		in EUR'000	
XI	Non-current assets	187,179	176,545	44,357	41,837
XII	Current assets	44,815	53,896	10,620	12,772
XIII	Total assets	231,994	230,441	54,977	54,609
XIV	Non-current liabilities	17,884	18,299	4,238	4,336
XV	Current liabilities	28,912	31,680	6,852	7,507
XVI	Equity	185,198	180,462	43,888	42,766
XVII	Share capital	1,982	1,982	470	470

The above financial data was translated into EUR in accordance with the following rules:

- assets and equity & liabilities – at the mid exchange rate determined by the National Bank of Poland, in force as at 31 March 2017 – 4.2198 PLN/EUR;
- individual items of the statement of comprehensive income and the statement of cash flows – at the mid exchange rate calculated as the arithmetic mean of the exchange rates in force as at the last day of each month in the period from 1 January 2017 to 31 March 2017, determined by the National Bank of Poland – 4.2891 PLN/EUR.

4. Brief description of the significant achievements or failures of the Issuer's Group in the period covered in the Report, including major events relating to the Issuer and its Group

Impairment write-down of a subsidiary

On **20 January 2017**, the Issuer's Management Board recognized the need to record a write-down relating to the Issuer's subsidiary, Cyfrowe Repozytorium Filmowe Sp. z o.o., about which the Company provided information in current report no. 2/2017.

The need to recognize the write-down resulted from the fact that on 20 January 2017 the Management Board received information that the Digital Poland Project Centre had expressed a negative opinion on the application submitted under the Operational Programme Digital Poland ("the Programme") of which CRF was to have become an indirect beneficiary.

The aforementioned Programme was included in CRF's business plan. Participation in the Programme was to have brought about an increase in the Company's sales and EBIT margin as from 2017 for the digitization and archiving segment.

According to the estimates of the Issuer's Management Board as at the date of preparation of current report no. 2/2017, the said write-down was to contribute to a decrease in the net profit in the consolidated financial statements of the Issuer's Group for 2016 of PLN 1,934 thousand (the write-down related to goodwill and selected intangible assets), as well as to a decrease in the net profit in the Company's separate financial statements for 2016 of PLN 3,922 thousand (the write-down related to the value of the Issuer's shares and a loan granted to this company, with accrued interest).

The audited financial data relating to CRF's value was provided in the Consolidated Financial Statements of the Kino Polska TV S.A. Group as at and for the year ended 31 December 2016.

Information about the implementation of the forecast of the Group's results of operations for 2016

On **14 February 2017**, the Issuer's Management Board presented information about the implementation of the financial forecast of the Group's results of operations for 2016 ("the Forecast"), which was published in current report no. 23/2016.

Total sales

Forecast – PLN 115 million;

Actual Figures – PLN 115.5 million.

EBITDA

Forecast – PLN 50 million;

Actual Figures – PLN 50.5 million.

The definition of EBITDA remained the same as the one presented in current report no. 23/2016. The data given in "Actual Figures" did not take into account the commencement of the terrestrial broadcasting of Zoom TV in October 2016 (current report no. 3/2017).

Furthermore, the Company emphasized that the results given in “Actual Figures” as at the date of publication of current report no. 3/2017 had not yet been audited by the Group’s auditor. The clarification of the differences between the results of operations recorded by the Group in 2016 and the previously published forecast was presented in the Annual Report of Kino Polska TV S.A. for 2016.

Proposal of the Company’s Management Board concerning the payment of a dividend for 2016

On **20 March 2017**, the Issuer’s Management Board decided to present the next Ordinary General Meeting with a proposal regarding earmarking the profit generated by the Company in 2016 of PLN 18,098,006.66 and retained earnings of PLN 4,300,179.86 (totalling PLN 22,398,186.52) for the payment of a dividend to the Company’s shareholders of PLN 1.13 gross per share, having obtained the opinion of the Supervisory Board (current report no. 4/2017).

Purchase of shares from a subsidiary

On **22 March 2017**, the Issuer purchased from its subsidiary, KPTV Media Sp. z o.o., 164 shares in Cable Television Networks & Partners sp. z o.o., representing a 21% interest in its share capital, for a total price of PLN 10,000,000.00 (in words: ten million zlotys).

Due to the aforementioned transaction, at present the Issuer holds (in a direct manner) 549 shares in CTN&P, which represents 70% of all shares in this company.

The transaction was an intra-Group transaction and was conducted in order to simplify CTN&P’s ownership structure.

KPTV Media earmarked the Selling Price it had obtained for the repayment of a loan raised with the Issuer on 24 March 2017.

Distribution of FilmBox channels outside Poland

In the said period of 2017, the Group steadily expanded the area of distribution of the FilmBox channels.

KPTV Media Sp. z o.o.

In the first quarter of 2017, in performing its statutory objectives, KPTV Media Sp. z o.o. continued providing production and telecommunication services to its related entities, i.e. Filmbox International Ltd., Kino Polska TV S.A., CTN&P and Stopklatka S.A. The scope of these services, which cover, in particular, the production of television channels with respect to the acquisition and control of materials, maintaining post-production, broadcasting and transport infrastructure, as well as leasing satellite capacity, remained unchanged at the operational level. In the 3-month period ended 31 March 2017, KPTV Media also continued providing the

SPI Group with technical support with respect to broadcasting the first commercial channel in Europe with Ultra HD – FunBox UHD definition.

Cable Television Networks & Partners sp. z o.o.

CTN&P dedicated the first three months of the current year to further work relating to its channel, Zoom TV. First of all, it worked on compiling an attractive programme catalogue and expanding the technical reach. As from 7 March 2017, the Zoom TV channel was included in the programme mix of Vectra S.A., one of the largest cable television operators in Poland. In the analysed period, a decision was made to replace the station’s programme director, the channel’s programme format was verified in terms of its audience ratings and appropriate programming changes. Thanks to this, in the first quarter of 2017 Zoom TV significantly improved its audience ratings compared with the previous year, which is discussed in the subsequent sections of this Report.

Cyfrowe Repozytorium Filmowe Sp. z o.o.

In the first quarter of 2017, CRF continued its core operations which comprised remastering films, creating master copies and archiving them. In the analysed period, CRF’s activities were mainly focused on finishing off the work relating to the migration of CRF’s resources from LTO4 magnetic tapes to LTO6. The Company also finalized the work relating to its cooperation with “KADR” Film Studio, which consisted of digitizing and presenting the Studio’s collection for VoD purposes. CRF also began preparations relating to the Publication “Kieślowski”.

5. Description of factors and events, including untypical ones, which have a significant effect on the results of operations and other information which may have a significant effect on the assessment of the financial position and results of operations of the Issuer’s Group

Financial data of the Kino Polska TV S.A. Group

<i>Selected economic and financial data</i>	3 months ended 31 March 2017 (unaudited, in PLN’000)	3 months ended 31 March 2016 (unaudited, in PLN’000)	Change (in %)
Sales revenue from continuing operations	28,778	27,118	6
Operating profit on continuing operations	3,150	4,672	-33
Net profit/loss on continuing operations	2,208	3,772	-41
EBITDA¹	10,430	11,489	-9

¹ The definition of EBITDA is presented in Note 13 to the Interim condensed consolidated financial statements for the 3-month period ended 31 March 2017.

The Group's sales for the first quarter of 2017 amounted to PLN 28,778 thousand, which represents a 6% increase compared with the corresponding period of the previous year. The increase in sales was observed mainly in the FilmBox channels and theme channels segment (up 9%, PLN 1,377 thousand in terms of value). Such good results in this segment are the effect of increases in broadcasting revenues on markets such as the Czech Republic, Slovakia and former Yugoslavian countries. The revenue of the Kino Polska channels segment recorded an 11% drop, which was due to smaller proceeds from advertisements in these channels, that were PLN 720 thousand lower in the said quarter compared with the first quarter of 2016. The Production of the TV channels segment recorded a 2% drop in revenues compared with the corresponding period of the previous year. Another operating segment is related to the results of the Zoom TV channel which generated advertising revenue of PLN 1,115 thousand in the first quarter of the current year. The last two operating segments, Sales of licensing rights and Other segments, recorded revenues at levels similar to those of the first quarter of the previous year, of PLN 1,762 thousand and PLN 716 thousand respectively.

The operating profit earned in the first quarter of 2017 was 33% lower, and the net profit on continuing operations was 41% lower than the results for the corresponding period of the previous year. The main factor which contributed to the drops in the said results was the Group's engagement in the Zoom TV channel which, due to being at the initial stage of its operations, does not yet achieve current operating profitability. The main cost items in which the Group recorded increases include amortization expense (purchases of content for the new channel), broadcasting costs, and other services relating to the operations of the newly created channel.

The EBITDA for the first quarter of 2017 amounted to PLN 10,430 thousand, which represents a drop of approx. 9% compared with the corresponding period of the previous year.



**II. INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS OF THE KINO POLSKA TV S.A. GROUP
FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017**

**APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF
THE KINO POLSKA TV S.A. GROUP FOR THE 3-MONTH PERIOD ENDED 31 MARCH 2017**

On 11 May 2017, the Management Board of Kino Polska TV S.A. approved the interim condensed consolidated financial statements of the Kino Polska TV S.A. Group for the 3-month period ended 31 March 2017, prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", which comprise:

Interim condensed consolidated statement of comprehensive income

for the period from 1 January 2017 to 31 March 2017, showing total comprehensive income of PLN 1,972 thousand.

Interim condensed consolidated statement of financial position

as at 31 March 2017, showing total assets and total equity & liabilities of PLN 131,580 thousand.

Interim condensed consolidated statement of cash flows

for the period from 1 January 2017 to 31 March 2017, showing a net decrease in cash and cash equivalents of PLN 4,464 thousand.

Interim condensed consolidated statement of changes in equity

for the period from 1 January 2017 to 31 March 2017, showing an increase in equity of PLN 1,972 thousand.

Notes to the interim condensed consolidated financial statements

Management Board of Kino Polska TV S.A.:

Bogusław Kisielewski
President of
the Management Board

Berk Uziyel
Member of
the Management Board

Marcin Kowalski
Member of
the Management Board

Alber Uziyel
Member of
the Management Board

Person responsible for maintaining
the books of account:

Dominika Talaga-Spławska
Chief Accountant

Warsaw, 11 May 2017

1. Interim condensed consolidated statement of comprehensive income

	Note	3 months ended 31 March 2017 (unaudited, in PLN'000)	3 months ended 31 March 2016 (unaudited, in PLN'000)
Continuing operations			
Sales of finished goods and services	4	28,778	27,118
Operating expenses	4,5	(24,851)	(22,255)
Other operating income	6	75	250
Other operating expenses	6	(504)	(131)
Share in profits (losses) of entities accounted for under the equity method	9	(348)	(310)
Operating profit		3,150	4,672
Finance income	7	17	53
Finance costs	7	(238)	(4)
Profit before tax		2,929	4,721
Income tax expense		(721)	(949)
Net profit on continuing operations		2,208	3,772
Discontinued operations			
Profit on discontinued operations	8	-	1,483
Net profit for the period		2,208	5,255
Net profit for the period, attributable to:			
- equity holders of the Parent		2,208	5,217
- non-controlling interests		-	38
		2,208	5,255
Other comprehensive losses to be transferred to the income statement after specific conditions are met:			
Currency translation differences from foreign operations		(236)	(213)
Total comprehensive income		1,972	5,042
Total comprehensive income attributable to:			
- equity holders of the Parent		1,972	5,004
- non-controlling interests		-	38
		1,972	5,042
Total comprehensive income attributable to the Parent:			
- on continuing operations		1,972	3,559
- on discontinued operations		-	1,445
		1,972	5,004
Earnings per share on continuing and discontinued operations, attributable to the equity holders of the Parent, basic and diluted:			
- on continuing operations		0.11	0.19
- on discontinued operations		-	0.07
		0.11	0.26

2. Interim condensed consolidated statement of financial position

	Note	<i>As at 31 March 2017 (unaudited, in PLN'000)</i>	<i>As at 31 December 2016 (in PLN'000)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		5,051	5,234
Long-term programming inventory	10	39,821	37,031
Other intangible assets		32,614	33,055
Entities accounted for under the equity method	9	5,705	6,060
Trade and other receivables		305	305
Deferred tax assets		1,302	878
Total non-current assets		84,798	82,563
Current assets			
Inventory		119	161
Short-term programming inventory	10	7,351	6,994
Loans granted	11	2,083	2,067
Trade and other receivables		32,590	29,702
Income tax receivable		97	113
Cash and cash equivalents		4,542	9,006
Total current assets		46,782	48,043
TOTAL ASSETS		131,580	130,606
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Share capital	12	1,982	1,982
Share premium		148,940	148,940
Translation of foreign operations reserve		329	565
Other reserves		(110,466)	(110,466)
Retained earnings		27,628	25,420
Total	13	68,413	66,441
Total equity	13	68,413	66,441
Non-current liabilities			
Loans and borrowings received		8,224	6,272
Concessions payable		10,253	11,621
Liabilities measured at present value payable – non-current portion		9,594	9,527
Trade and other payables		2,977	3,561
Provisions		77	73
Deferred income		202	162
Finance lease liabilities		520	485
Deferred tax provision		236	334
Total non-current liabilities		32,083	32,035
Current liabilities			
Derivative financial instruments		360	-
Concessions payable		1,071	1,008
Trade and other payables		21,338	18,666
Provisions		558	598
Deferred income		6,777	8,147
Finance lease liabilities		278	249
Income tax liabilities		702	3,462
Total current liabilities		31,084	32,130
TOTAL EQUITY AND LIABILITIES		131,580	130,606

3. Interim condensed consolidated statement of cash flows

	3 months ended 31 March 2017 (unaudited, in PLN'000)	3 months ended 31 March 2016 (unaudited, in PLN'000)
Cash flows from operating activities		
Net profit	2,208	5,255
Adjusted for:		
Depreciation and amortization	6,514	6,707
Foreign exchange (gains)/losses and measurement of derivative instruments	360	70
Interest and dividends, net	222	(34)
Share in profits/(losses) of an entity accounted for under the equity method	355	325
(Gains)/Losses on investing activities	-	(1,305)
Purchase of programming inventory	(7,769)	(8,131)
(Increase)/Decrease in receivables	(2,193)	343
(Increase)/Decrease in inventory	42	3
Increase/(Decrease) in liabilities	96	2,054
Increase/(Decrease) in deferred income	(1,330)	3,001
Increase/(Decrease) in provisions	(36)	89
Corporate income tax paid and refunded	(3,987)	(746)
Corporate income tax liability	721	949
Net cash from operating activities	(4,797)	8,580
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	-	17
Purchase of property, plant and equipment and intangible assets	(1,445)	(88)
Purchase of financial assets	-	(3)
Sale of a subsidiary, net of cash and cash equivalents	-	1,305
Interest received	-	180
Repayment of loans granted	-	3,600
Loans granted	-	(1,500)
Refund from a brokerage account in connection with the purchase of shares in Stopklatka S.A.	-	1,660
Net cash from investing activities	(1,445)	5,171
Cash flows from financing activities		
Repayment of finance lease liabilities	(116)	-
Proceeds from loans/borrowings raised	1,894	-
Repayment of loans/borrowings	-	(98)
Net cash from financing activities	1,778	(98)
Net increase/(decrease) in cash and cash equivalents	(4,464)	13,653
Net foreign exchange (gains)/losses	-	20
Cash and cash equivalents as at the beginning of the period	9,006	7,172
Cash and cash equivalents as at the end of the period	4,542	20,845

4. Interim condensed consolidated statement of changes in equity

	<i>Number of shares</i>	<i>Share capital (in PLN'000)</i>	<i>Share premium (in PLN'000)</i>	<i>Translation of foreign operations reserve (in PLN'000)</i>	<i>Other reserves (in PLN'000)</i>	<i>Retained earnings (in PLN'000)</i>	<i>Equity attributable to equity holders of the Parent (in PLN'000)</i>	<i>Non-controlling (minority) interests (in PLN'000)</i>	<i>Total equity (in PLN'000)</i>
As at 1 January 2017	19,821,404	1,982	148,940	565	(110,466)	25,420	66,441	-	66,441
Total comprehensive income for the period	-	-	-	(236)	-	2,208	1,972	-	1,972
As at 31 March 2017 (unaudited)	19,821,404	1,982	148,940	329	(110,466)	27,628	68,413	-	68,413

	<i>Number of shares</i>	<i>Share capital (in PLN'000)</i>	<i>Share premium (in PLN'000)</i>	<i>Translation of foreign operations reserve (in PLN'000)</i>	<i>Other reserves (in PLN'000)</i>	<i>Retained earnings (in PLN'000)</i>	<i>Equity attributable to equity holders of the Parent (in PLN'000)</i>	<i>Non-controlling (minority) interests (in PLN'000)</i>	<i>Total equity (in PLN'000)</i>
As at 1 January 2016	19,821,404	1,982	148,940	928	(110,466)	29,951	71,335	(497)	70,838
Sale of a subsidiary	-	-	-	-	-	-	-	459	459
Total comprehensive income for the period	-	-	-	(213)	-	5,217	5,004	38	5,042
As at 31 March 2016 (unaudited)	19,821,404	1,982	148,940	715	(110,466)	35,168	76,339	-	76,339

5. Explanatory notes to the interim condensed financial statements

Note 1 – General information about the Company and its Group

Kino Polska TV S.A. (“the Company”, “the Issuer”) has been operating on the media market since June 2003 (then under the name of Kino Polska TV Sp. z o.o.) and is entered in the Register of Businesses of the National Court Register, maintained by the District Court for the capital city of Warsaw, 13th Business Department, with the reference number KRS 0000363674. On 24 August 2010, the transformation of the Company into a joint stock company was registered. On 12 April 2011, Kino Polska TV S.A. made its debut on the Warsaw Stock Exchange.

As specified in the Articles of Association, the duration of the Company’s operations is unlimited.

The Company’s registered office is in Warsaw, ul. Puławska 61. The Company was assigned a tax identification number (NIP) 5213248560 for making tax settlements and a statistical business identification number (REGON) 015514227 for statistical purposes.

As at 31 March 2017, the Kino Polska TV S.A. Group (“the Group”) was composed of the following entities:

- Kino Polska TV S.A. (Poland) – the Parent;
- Cable Television Networks & Partners sp. z o.o. (“CTN&P”, Poland) – a subsidiary;
- Cyfrowe Repozytorium Filmowe Sp. z o.o. (“CRF”, Poland) – a subsidiary;
- KPTV Media Sp. z o.o. (“KPTV Media”, Poland) – a subsidiary;
- Filmbox International Ltd. (Great Britain) – a subsidiary;
 - Help Film s.r.o. (Czech Republic) – an indirect subsidiary;
 - Help Film Slovakia s.r.o. (Slovakia) – an indirect subsidiary;
 - SPI International Magyarország, Kft. (Hungary) – an indirect subsidiary.

On 22 March 2017, the Issuer purchased from its subsidiary, KPTV Media Sp. z o.o., 164 shares in Cable Television Networks & Partners sp. z o.o., representing a 21% interest in its share capital, for a total price (“the Selling Price”) of PLN 10,000,000.00 (in words: ten million zlotys).

Due to the aforementioned transaction, at present the Issuer holds (in a direct manner) 549 shares in CTN&P, which represents 70% of all shares in this company.

The transaction was an intra-Group transaction and was conducted in order to simplify CTN&P’s ownership structure.

In the period covered in these financial statements, the Group’s operations comprised:

- broadcasting television channels: Kino Polska, Kino Polska Muzyka, Zoom TV, FilmBox, and theme channels (including sales of advertising spots);
- production of television channels;
- sales of licensing rights.

Composition of the Management Board of Kino Polska TV S.A. in the 3-month period ended 31 March 2017:

- Bogusław Kisielewski – President of the Management Board;
- Berk Uziyel – Member of the Management Board;
- Marcin Kowalski – Member of the Management Board;
- Alber Uziyel – Member of the Management Board.

Composition of the Supervisory Board of Kino Polska TV S.A. in the 3-month period ended 31 March 2017:

- Loni Farhi – Chairman of the Supervisory Board;
- Stacey Sobel – Deputy Chairman of the Supervisory Board;
- Piotr Orłowski – Member of the Supervisory Board;
- Piotr Reisch – Member of the Supervisory Board;
- Krzysztof Rudnik – Member of the Supervisory Board;
- Leszek Stypułkowski – Member of the Supervisory Board;
- Katarzyna Woźnicka – Member of the Supervisory Board.

Note 2 – Declaration of compliance and general principles of preparation

These interim condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34 “Interim Financial Reporting”. Consequently, they do not include all of the information or disclosures required for annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Kino Polska TV S.A. Group for the year 2016, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

These interim condensed consolidated financial statements have been prepared in accordance with the accounting principles described in the consolidated financial statements of the Kino Polska TV S.A. Group as at and for the year ended 31 December 2016.

The amendments to IFRS which came into force as from 1 January 2017 do not have a material effect on the Group’s consolidated financial statements. New or amended standards and interpretations which have not yet come into force and which may have an effect on the Group were presented in the consolidated financial statements for the financial year ended 31 December 2016. Since the date of approval of the annual financial statements for 2016 to the date of approval of these financial statements no new or amended standards or interpretations were published, which would have an effect on the Group. The Group intends to adopt the amendments to IFRS that are published but not yet effective as at the date of publication of these consolidated financial statements in accordance with their effective dates. The assessment of the effect of those amendments on the Group’s future consolidated financial statements is being analysed.

The income tax charge for the interim period is calculated using the tax rate which would be applied to the expected total amount of annual income, i.e. the expected annual average effective tax rate applied to the interim profit before tax.

Note 3 – Major accounting estimates and judgements

The preparation of these interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union requires the Group's Management Board to use judgement, estimates and assumptions which affect the adopted accounting policies and the values of assets, liabilities, revenues and expenses. Accounting estimates and the related assumptions are based on past experience and other factors deemed reasonable in specific circumstances, and their results form the basis for judgements as to the carrying values of assets and liabilities which do not result directly from other sources. The actual values may differ from estimates. The estimates and related assumptions are subject to regular verification. A change in the accounting estimates is recognized in the period in which an estimate was changed or in current and future periods if the change made relates to both the current and future periods. The key accounting estimates and assumptions used in these interim condensed consolidated financial statements were the same as those adopted in the consolidated financial statements as at and for the year ended 31 December 2016.

Note 4 – Operating segments

Operating segments are presented in a manner consistent with internal reporting submitted to the key operational decision-maker. The key operational decision-maker responsible for allocating resources and assessing the results of the operating segments is defined as the Management Board of Kino Polska TV S.A. The Group's operating segments are its strategic segments which offer different products and services. They are managed in different ways and are subject to different marketing strategies. Each of the segments earns revenue and incurs costs related to the subject matter of its operations.

The Group engages in operating activities mainly in the territory of Poland and other European countries, including, the Czech Republic, Slovakia, Hungary, Romania, and others.

The Management Board of Kino Polska TV S.A. assesses the operations of the segments by analysing the results of a segment defined as sales revenues net of direct operating expenses and allocated indirect operating expenses. There are no discrepancies between the report on the operating segments and their recognition in the books of account or in management accounts. The Management Board of Kino Polska TV S.A. does not analyse the assets or liabilities of each reporting segment on a regular basis.

In the first quarter of 2017, the Management Board set apart a separate segment: "Zoom TV". It comprises the revenue and expenses related to broadcasting a television channel, Zoom TV.

Interim condensed consolidated financial statements of the Kino Polska TV S.A. Group
for the 3-month period ended 31 March 2017

3 months ended 31 March 2017 <i>(unaudited, in PLN'000)</i>							
	FilmBox channels and theme channels	Kino Polska channels	Production of TV channels	Zoom TV	Sales of licensing rights	Other segments	TOTAL
Sales – broadcasting	15,856	3,693	-	-	-	-	19,549
Sales – advertising	1,306	2,981	-	1,115	-	-	5,402
Sales – other	-	-	1,349	-	1,762	716	3,827
Total sales	17,162	6,674	1,349	1,115	1,762	716	28,778
Operating expenses	(14,280)	(3,561)	(1,233)	(4,184)	(692)	(901)	(24,851)
Segment's net profit/(loss)	2,882	3,113	116	(3,069)	1,070	(185)	3,927
Other operating income	-	-	-	-	-	-	75
Other operating expenses	-	-	-	-	-	-	(504)
Share in profits/(losses) of entities accounted for under the equity method	-	-	-	-	-	-	(348)
Operating profit	-	-	-	-	-	-	3,150
Finance income	-	-	-	-	-	-	17
Finance costs	-	-	-	-	-	-	(238)
Profit before tax	-	-	-	-	-	-	2,929
Income tax expense	-	-	-	-	-	-	(721)
Net profit on continuing operations	-	-	-	-	-	-	2,208

3 months ended 31 March 2016 <i>(unaudited, in PLN'000)</i>							
	FilmBox channels and theme channels	Kino Polska channels	Production of TV channels	Sales of licensing rights	Other segments	TOTAL	
Sales – broadcasting	14,544	3,777	-	-	-	18,321	
Sales – advertising	1,241	3,701	-	-	-	4,942	
Sales – other	-	-	1,381	1,732	742	3,855	
Total sales	15,785	7,478	1,381	1,732	742	27,118	
Operating expenses	(14,805)	(4,475)	(1,276)	(952)	(747)	(22,255)	
Segment's net profit/(loss)	980	3,003	105	780	(5)	4,863	
Other operating income	-	-	-	-	-	250	
Other operating expenses	-	-	-	-	-	(131)	
Share in profits/(losses) of entities accounted for under the equity method	-	-	-	-	-	(310)	
Operating profit	-	-	-	-	-	4,672	
Finance income	-	-	-	-	-	53	
Finance costs	-	-	-	-	-	(4)	
Profit before tax	-	-	-	-	-	4,721	
Income tax expense	-	-	-	-	-	(949)	
Net profit on continuing operations	-	-	-	-	-	3,772	

Note 5 – Operating expenses

	3 months ended 31 March 2017 (unaudited, in PLN'000)	3 months ended 31 March 2016 (unaudited, in PLN'000)
Depreciation and amortization	(5,021)	(3,091)
- including amortization of long-term programming inventory and impairment write-downs	(4,208)	(2,663)
Employee benefit expense, including:	(4,434)	(4,219)
- costs of wages and salaries	(3,759)	(3,551)
- costs of social insurance and other benefits	(695)	(563)
- costs of future benefits (provisions) with respect to retirement benefits, long service bonuses and similar employee benefits	20	(105)
Materials and energy used	(241)	(228)
Broadcasting services	(5,618)	(4,207)
Content costs	(2,921)	(4,975)
- including amortization of short-term programming inventory	(1,493)	(3,616)
Other services	(5,030)	(3,919)
Taxes and charges	(606)	(472)
Other costs	(284)	(210)
Cost of sales of goods for resale and materials	(696)	(934)
Total operating expenses	(24,851)	(22,255)

An increase in operating expenses in the first quarter of 2017 of 12% compared with the corresponding period of the previous year was mainly the result of the operating expenses of Zoom TV. The Group recorded the main increases in items such as the amortization of long-term programming inventory (the amortization of new content for Zoom TV) and broadcasting costs (the costs of broadcasting a terrestrial channel). A drop in content costs was the effect of smaller purchases of short-term licences.

Note 6 – Other operating income and expenses

Other operating income for the 3-month period ended 31 March 2017 comprises mainly the reversal of write-downs of receivables of PLN 46 thousand, whereas other operating expenses for the 3-month period ended 31 March 2017 comprise mainly foreign exchange losses of PLN 57 thousand and the measurement of derivative instruments of PLN 360 thousand (in the corresponding quarter of 2016, the Group recorded foreign exchange gains of PLN 232 thousand).

Note 7 – Finance income and costs

In the 3-month period ended 31 March 2017 (and in the corresponding period of 2016), finance income comprised mainly interest on loans. In the 3-month period ended 31 March 2017, finance costs comprised interest expense of PLN 67 thousand (PLN 0 thousand in the 3-month period ended 31 March 2016). In the first quarter of 2017, the Group also recorded costs with respect to discount on concessions of PLN 103 thousand and a loss on the measurement of financial instruments at fair value of PLN 67 thousand.

Note 8 – Sale of a subsidiary

On 26 February 2016, the ownership of all shares held in TV Okazje Sp. z o.o. was transferred. The operations of TV Okazje Sp. z o.o. and its subsidiary, i.e. TV Offers s.r.o., as well as the gain on the sale of these entities were presented as discontinued operations in the 3-month period ended 31 March 2016.

	<u>3 months ended</u> <u>31 March 2016</u> <u>(unaudited, in PLN'000)</u>
Fair value of the consideration received	1,191
PLUS present value of non-controlling interests as at the sale date	(458)
MINUS net assets of the subsidiaries as at the date of losing control	(555)
Gain on the sale of the subsidiaries	<u>1,288</u>

Note 9 – Entities accounted for under the equity method

Starting from 12 March 2014 Stopklatka S.A. has been accounted for under the equity method as an entity controlled jointly by Kino Polska TV S.A. and Agora S.A. The cost (initial value) of this investment was finally determined at PLN 2,148 thousand as the fair value corresponding to the transaction price for which Agora purchased a corresponding number of shares in Stopklatka S.A.

On 9 February 2016, as a result of the registration of an increase in the share capital, the Issuer became the owner of 1,904,957 E series shares in Stopklatka S.A. for PLN 4,381 thousand. The issuance of the E series shares by Stopklatka S.A. did not bring about any changes in the control over this company.

Changes in the value of the investments accounted for under the equity method are presented below:

	<u>As at</u> <u>31 March 2017</u> <u>(unaudited, in PLN'000)</u>	<u>As at</u> <u>31 March 2016</u> <u>(unaudited, in PLN'000)</u>
Investments accounted for under the equity method as at the beginning of the period	6,060	2,092
- purchase of shares	-	4,381
- share in profits/(losses) of entities accounted for under the equity method	(348)	(310)
- elimination of unrealized profits on transactions between the investor and the associate	(7)	(15)
Investments accounted for under the equity method as at the end of the period	<u>5,705</u>	<u>6,148</u>

Note 10 – Programming inventory

	<u>As at</u> <u>31 March 2017</u> <u>(unaudited, in PLN'000)</u>	<u>As at</u> <u>31 December 2016</u> <u>(in PLN'000)</u>
Purchased film licences	45,803	43,754
Down payments	1,369	271
Total	<u>47,172</u>	<u>44,025</u>
including:		
long-term programming inventory	39,821	37,031
short-term programming inventory	7,351	6,994

Changes in programming inventory	3 months ended 31 March 2017 (unaudited, in PLN'000)	3 months ended 31 March 2016 (unaudited, in PLN'000)
Net carrying amount as at 1 January	44,025	41,255
Increases:		
- purchase of film licences (including down payments)	9,491	8,484
Amortization of film licences	(5,701)	(6,279)
Sale	(692)	(952)
Other	49	-
Net carrying amount as at 31 March	47,172	42,508

Note 11 – Loans granted

As at 31 March 2017 (unaudited, in PLN'000)							
Financing entity	Currency	Loan/limit amount	Loan value as at the balance sheet date		Interest rate	Repayment deadline	Collateral
			in foreign currency	in PLN			
Tramway Sp. z o.o.	PLN	240	n/a	265	fixed interest rate - 10% p.a.	30/06/2014	surety provided by a private individual and a declaration of submission to enforcement proceedings in accordance with Article 777 para. 1, point 4 of the Code of Civil Procedure by the borrower and the surety provider
Stopklatka S.A.	PLN	2,000	n/a	2,083	WIBOR 3M+1.5%	30/04/2017*	none
Total borrowings		2,240		2,348			
Write-downs				(265)			
Total loans and borrowings		2,240		2,083			

* Note 17

As at 31 December 2016 (in PLN'000)							
Financing entity	Currency	Loan/limit amount	Loan value as at the balance sheet date in foreign currency in PLN		Interest rate	Repayment deadline	Collateral
Tramway Sp. z o.o.	PLN	240	n/a	261	fixed interest rate - 10% p.a.	30/06/2014	surety provided by a private individual and a declaration of submission to enforcement proceedings in accordance with Article 777 para. 1, point 4 of the Code of Civil Procedure by the borrower and the surety provider
Stopklatka S.A.	PLN	2,000	n/a	2,067	WIBOR 3M+1.5%	31/03/2017	none
Total borrowings		2,240		2,328			
Write-downs				(261)			
Total loans and borrowings		2,240		2,067			

Note 12 – Share capital

SHARE CAPITAL OF KINO POLSKA TV S.A. AS AT 31 MARCH 2017						
Series	Type of shares	Type of preference	Type of restrictions on rights to shares	Number of shares	Par value of one share (in PLN)	Value of series/issue at par (in PLN'000)
A	ordinary bearer shares	none	none	13,821,404	0.10	1,382
C	ordinary bearer shares	none	none	6,000,000	0.10	600
Total				19,821,404		1,982

SHARE CAPITAL OF KINO POLSKA TV S.A. AS AT 31 DECEMBER 2016						
Series	Type of shares	Type of preference shares	Type of restrictions on rights to shares	Number of shares	Par value of one share (in PLN)	Value of series/issue at par (in PLN'000)
A	ordinary bearer shares	none	none	13,821,404	0.10	1,382
C	ordinary bearer shares	none	none	6,000,000	0.10	600
Total				19,821,404		1,982

The table below presents the shareholding structure of Kino Polska TV S.A. as at 11 May 2017

Shareholder	Type of shares	Number of shares ¹	Interest in the share capital (%)	Number of votes at the GM	Share in the total number of votes at the GM
SPI International B.V.	Ordinary bearer shares	12,913,285	65.15%	12,913,285	65.15%
Investment funds managed by Ipopema TFI S.A. (including Total FIZ and TTL 1 Sp. z o.o.)	Ordinary bearer shares	1,702,462	8.59%	1,702,462	8.59%
Nationale-Nederlanden Powszechno Towarzystwo Emerytalne S.A. (including Nationale-Nederlanden OFE and Nationale-Nederlanden DFE) ²	Ordinary bearer shares	1,038,944	5.24%	1,038,944	5.24%
Others	Ordinary bearer shares	4,166,713	21.02%	4,166,713	21.02%
TOTAL	Ordinary bearer shares	19,821,404	100.00%	19,821,404	100.00%

* The information in the table is based on notifications received from the shareholders in accordance with Article 69 of the Act of 29 July 2005 on public offerings, the conditions governing the introduction of financial instruments to organized trading and on public companies, as well as the notification provided by SPI International B.V. about the actual number of the Issuer's shares held.

The parent of SPI International B.V., which holds 100% of shares in that company, is Cooperatieve SPI International U.A.

The entity which prepares consolidated financial statements at the ultimate level is SPI Media International B.V.

The ultimate level parent is Ms. Hilda Uziyel.

Note 13 – Capital management

	<i>As at 31 March 2017 (unaudited, in PLN'000)</i>	<i>As at 31 December 2016 (in PLN'000)</i>
Equity	68,413	66,441
Net carrying amount of non-current assets, including:	84,799	82,563
- intangible assets and programming inventory	72,435	70,086
Equity to assets ratio	0.81	0.80

	3 months ended 31 March 2017 (unaudited, in PLN'000)	3 months ended 31 March 2016 (unaudited, in PLN'000)
Operating profit/(loss)	3,150	4,672
Adjustments:	7,280	6,817
- amortization and depreciation	5,021	3,091
- amortization of short-term programming inventory	1,493	3,616
- share in the profit/(loss) of Stopklatka S.A.	348	310
- FX differences and measurement of derivative instruments	418	(232)
- interest income received	-	31
- interest expense to the State Budget	-	1
EBITDA	10,430	11,489
Loans, borrowings and other sources of financing (including leases)	9,022	488
Ratio: loans, borrowings and other sources of financing/EBITDA	87%	4%

The Group defines EBITDA as an operating profit/loss adjusted for the amortization/depreciation and the impairment of property, plant and equipment, intangible assets and programming inventory, and the share in the profit/loss of Stopklatka S.A. Additionally, in calculating EBITDA the Group eliminates foreign exchange differences and interest expense to the State Budget and includes interest income received. EBITDA is not defined by the IFRS as adopted by the EU and may be calculated differently by other entities.

EBITDA may not be treated as a measure equivalent to profit before tax or cash flows from operating activities (or any other measure defined in the IFRS). Nor may EBITDA be treated as the sole measure of operating effectiveness or a liquidity ratio. In particular, EBITDA may not be treated, either, as a measure of cash and cash equivalents at the Group's disposal, which may be invested in business development.

EBITDA has certain limitations as an analytical tool and for this reason it may not be considered in isolation from other ratios or as a substitute for financial data consistent with the IFRS as adopted by the EU. Therefore, investors should not rely on this ratio uncritically.

Note 14 – Comparison of fair values and carrying amounts

The Group makes use of the following hierarchy for determining and disclosing the fair value of financial instruments, depending on the measurement method selected:

- level 1: prices quoted (unadjusted) on active markets for the same assets and liabilities;
- level 2: input data which is observable for given assets and liabilities, both directly (e.g. as prices) and indirectly;
- level 3: input data not based on observable market prices (non-observable input data).

The table below presents the fair values of financial assets and liabilities not measured at fair value and their corresponding carrying amounts.

	Category under IAS 39	Fair value hierarchy level	As at 31 March 2017 (unaudited, in PLN'000)		As at 31 December 2016 (in PLN'000)	
			Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	A	2	29,652	29,652	26,332	26,332
Loans granted	A	2	2,083	2,083	2,067	2,067
Cash and cash equivalents	A	*	4,542	4,542	9,006	9,006
Loans and borrowings received	B	2	(8,224)	(8,224)	(6,272)	(6,272)
Liabilities measured at present value payable – non-current portion	D	2	(9,594)	(9,594)	(9,527)	(9,527)
Finance lease liabilities	B	2	(798)	(829)	(734)	(766)
Derivative financial instruments	D	2	(360)	(360)		
Concessions payable	B	2	(11,324)	(11,455)	(12,629)	(12,767)
Trade payables and capital commitments	B	2	(22,903)	(22,903)	(20,860)	(20,860)
Total			(16,926)	(17,088)	(12,617)	(12,787)
Unrecognized profit/(loss)				(162)		(170)

A – loans and receivables

B – other liabilities

C – available-for-sale financial assets

D – financial liabilities measured at fair value

* It is assumed that the fair value of cash and cash equivalents is equal to their nominal value. Therefore, no techniques were used to measure these balance sheet items.

Trade receivables and payables as well as loans granted comprise mainly receivables and payables which will be settled no later than by the end of the month following the balance sheet date. Therefore, it was assumed that their measurement, taking into account the time value of money, would be approximate to their nominal value. The Group used a similar simplification for capital commitments whose measurement as at the balance sheet date does not include the effect of discount.

The fair value of concessions payable was determined based on the cash flows expected in the period from the balance sheet date to 27 February 2025, which were discounted using a WIBOR market rate and a margin relating to the Group's credit risk.

In the case of the loan received by the Group, the final repayment deadline was set at 8 June 2018. However, due to the nature of the loan granted (an overdraft facility), the deadline for the repayment of the current balance as expected by the Group is impossible to determine and, in particular, it may occur within the next 12 months. For this reason, it was assumed that the loan's fair value is approximate to its carrying amount.

Note 15 – Related party transactions

Revenues from related parties relate mainly to the provision of production and telecommunications services, sales of licences, and distribution services, whereas purchases from related parties comprise the purchase of licences and content access fees.

	3 months ended 31 March 2017 (unaudited, in PLN'000)		3 months ended 31 March 2016 (unaudited, in PLN'000)	
	sales of finished goods and services	interest income	sales of finished goods and services	interest income
Revenue from sales to related entities				
<i>Stopklatka S.A.</i>	214	16	563	31
<i>Mediabox Broadcasting International Ltd</i>	1,531	-	1,432	-
<i>SPI Int'l BV</i>	1,301	-	1,123	-
<i>Erox International BV</i>	49	-	173	-
<i>SPI Media International BV</i>	14	-	16	-
<i>Spinka Film Studio Sp. z o.o.</i>	1	-	2	-
Total revenue from sales to related entities	3,110	16	3,309	31

	3 months ended 31 March 2017 (unaudited, in PLN'000)		3 months ended 31 March 2016 (unaudited, in PLN'000)	
	purchase of services	purchase of assets	purchase of services	purchase of assets
Purchases from related entities				
<i>Stopklatka S.A.</i>	56	-	43	-
<i>Mediabox Broadcasting International Ltd</i>	424	-	366	-
<i>SPI Int'l BV</i>	673	293	505	-
<i>SPI Int'l Inc. (USA)</i>	30	-	2	-
<i>SPI Media International BV</i>	-	-	2	-
<i>Spinka Film Studio Sp. z o.o.</i>	1	-	-	-
<i>Eggplant Production Martyna Korablewska-Szpetmańska</i>	52	-	55	-
<i>Berk Uziyel</i>	26	-	17	-
<i>EFTAS Elektronik Fotograf</i>	52	-	-	-
<i>Adrian Gumulak</i>	93	-	71	-
<i>John Logan</i>	15	-	17	-
Total purchases from related entities	1,422	293	1,078	-

	As at 31 March 2017 (unaudited, in PLN'000)		As at 31 December 2016 (in PLN'000)	
	Settlements	Loans	Settlements	Loans
Receivables				
<i>Stopklatka S.A.</i>	185	2,083	390	2,067
<i>Mediabox Broadcasting International Ltd (UK)</i>	4,343	-	4,453	-
<i>SPI Int'l BV (NL)</i>	3,329	-	2,390	-
<i>Erox International BV</i>	365	-	266	-
<i>SPI Media International BV</i>	69	-	52	-
<i>Coop. SPI (NL)</i>	23	-	24	-
<i>Spinka Film Studio Sp. z o.o.</i>	-	-	1	-
<i>Cable Television Networks & Partners sp. z o.o.</i>	1,043	-	-	-
<i>Adrian Gumulak</i>	17	-	-	-
Total receivables	9,374	2,083	7,576	2,067

	As at 31 March 2017 (unaudited, in PLN'000)	As at 31 December 2016 (in PLN'000)
	Settlements	Settlements
<i>Stopklatka S.A.</i>	129	33
<i>Mediabox Broadcasting International Ltd (UK)</i>	273	1 424
<i>SPI Int'l BV (NL)</i>	167	872
<i>EROX INTERNATIONAL BV</i>	115	76
<i>SPI Intl' Inc. (USA)</i>	68	36
<i>Spinka Film Studio Sp. z o.o.</i>	2	2
<i>Wytwórnia Pozytywna Piotr Reisch</i>	-	6
<i>Adrian Gumulak</i>	22	16
<i>John Logan</i>	5	-
	781	2 465

In the opinion of the Management Board, related party transactions were conducted on an arm's length basis.

Note 16 – Operating leases and future contractual commitments

Future commitments with respect to operating leases – the lessee

	As at 31 March 2017 (unaudited, in PLN'000)	As at 31 December 2016 (in PLN'000)
Future commitments with respect to operating leases – the lessee		
Within 1 year	2,076	2,065
Within 1 to 5 years	1,481	1,966
Total	3,557	4,031

Future commitments with respect to agreements on the provision of broadcasting and other services

	As at 31 March 2017 (unaudited, in PLN'000)	As at 31 December 2016 (in PLN'000)
Future commitments with respect to agreements on the provision of broadcasting and other services		
Within 1 year	22,628	19,326
Within 1 to 5 years	27,859	31,018
Over 5 years	24,750	26,400
Total	75,237	76,744

Future commitments with respect to agreements on the purchase of film licences

	As at 31 March 2017 (unaudited, in PLN'000)	As at 31 December 2016 (in PLN'000)
Future commitments with respect to agreements on the purchase of film licences		
Within 1 year	11,022	10,220
Within 1 to 5 years	15,732	12,709
Total	26,754	22,929

Note 17 – Post balance sheet events

Dividend for 2016

On 12 April 2017, the Company's Supervisory Board adopted a resolution concerning a positive opinion on the proposal of the Management Board of Kino Polska TV S.A. regarding earmarking the Issuer's profit for 2016 of PLN 18,098,006.66 and retained earnings of PLN 4,300,179.86 for the payment of a dividend to the shareholders.

Dividend amount per share: PLN 1.13, gross.

Total dividend amount: PLN 22,398,186.52, gross.

The Supervisory Board has recommended that the Ordinary General Meeting of Kino Polska TV S.A. adopt a resolution on the appropriation of the profit for 2016 and retained earnings, as proposed by the Issuer's Management Board, about which the Company provided information in current report no. 6/2017.

On 28 April 2017, Stopklatka S.A. repaid a part of the loan specified in Note 11. Stopklatka S.A. repaid PLN 1,086,698.65 to the Company, including principal of PLN 1,000,000.00 and interest of PLN 86,698.65.

As a result of the aforementioned action, the principal of the loan granted by the Issuer to Stopklatka S.A. amounted to PLN 1,000,000.00 as at the date of approval of these consolidated financial statements.

Note 18 – Explanations regarding the seasonal or cyclical nature of the Group's activities in the presented period

The Group's activities are not cyclical or seasonal in nature, which would result in significant volatility of the results of operations during a financial year. Advertising revenue in Poland is usually the lowest in the third quarter of the calendar year (which includes the summer holiday period) and the highest in the fourth quarter.

Note 19 – Information about write-downs of inventory to the net realizable value and the reversal of such write-downs

The Group did not recognize any inventory write-downs in the 3-month period ended 31 March 2017.

Note 20 – Information about impairment write-downs of financial assets, property, plant and equipment, intangible assets or other assets and the reversal of such write-downs

During the 3 months ended 31 March 2017 the Group did not recognize any write-downs of property, plant and equipment or intangible assets.

In the first quarter of 2017, the Issuer recognized loan write-downs totalling PLN 4 thousand.

Moreover, write-downs of overdue or uncollectible trade receivables are updated on a current basis.

Note 21 – Information about the recognition, increasing, utilization and release of provisions

In the analysed period, the Group released a holiday pay provision of PLN 36 thousand.

Note 22 – Information about material purchases and sales of property, plant and equipment and intangible assets, including programming inventory

In the analysed period, the Group entities did not make any material purchases or sales of property, plant and equipment or intangible assets. Information about the value of such transactions with respect to programming inventory is presented in Note 10 to these financial statements.

Note 23 – Information about material liabilities with respect to purchase of property, plant and equipment and intangible assets

As at 31 March 2017, the Group had liabilities with respect to the purchase of programming inventory of PLN 26 794 thousand. In addition, in Note 16 to these financial statements the Group showed future contractual commitments with respect to the purchase of licences, lease agreements and agreements on the provision of broadcasting services.

Note 24 – Information about material settlements with respect to litigation

In the analysed period, the Group did not record any material settlements with respect to litigation.

Note 25 – Indication of adjustments to prior period errors

In the analysed period, the Group did not adjust any prior period errors.

Note 26 – Information about changes in the economic situation and operating conditions which have a material effect on the fair value of the Group's financial assets and financial liabilities, irrespective of whether these assets and liabilities are recognized at fair value or amortized cost

In the analysed period, there were no changes in the economic situation or operating conditions which had a material effect on the fair value of the Group's financial assets and financial liabilities. Information about the fair values of the individual financial assets and liabilities is presented in Note 14.

Note 27 – Information about the failure to repay loans or borrowings or the violation of material provisions of agreements on loans or borrowings, with respect to which no remedial measures were taken by the end of the reporting period

No events relating to the failure to repay loans or borrowings or the violation of material provisions of such agreements occurred within the Group.

Note 28 – Information about the conclusion of one or more related party transactions by the Issuer or its subsidiary if, individually or collectively, they are material and were concluded on terms other than an arm's length basis

In the analysed period, the Group entities did not conclude any material related party transactions on terms other than an arm's length basis.

Note 29 – Information about changes in the manner (method) of determining fair value for financial instruments measured at fair value

In the analysed period, the Group did not change the manner of determining the fair value of financial instruments. Information about the fair values of the individual financial assets and liabilities is presented in Note 14.

Note 30 – Information concerning changes in the classification of financial assets as a result of a change in the objective or use of these assets

The Group did not change the classification of any financial assets as a result of a change in the objective or use of these assets.

Note 31 – Information concerning the issuance, repurchase and redemption of non-equity and equity securities

In the analysed period, the Group did not issue, repurchase or redeem non-equity and equity securities.

Note 32 – Information concerning changes in contingent liabilities or contingent assets which occurred since the end of the last financial year

As at the date of approval of these financial statements, the Group did not have any contingent assets or liabilities.



**III. QUARTERLY FINANCIAL INFORMATION OF
KINO POLSKA TV S.A. FOR THE 3-MONTH PERIOD
ENDED 31 MARCH 2017**

1. Interim condensed separate statement of comprehensive income

	Note	3 months ended 31 March 2017 (unaudited, in PLN'000)	3 months ended 31 March 2016 (unaudited, in PLN'000)
Continuing operations			
Sales		27,375	29,195
Operating expenses	3	(21,515)	(22,973)
Other operating income		62	443
Other operating expenses		(540)	(125)
Operating profit		5,382	6,540
Finance income		191	60
Finance costs		(133)	(111)
Profit before tax		5,440	6,489
Income tax expense		(704)	(864)
Net profit on continuing operations		4,736	5,625
Net profit for the period		4,736	5,625
Total comprehensive income		4,736	5,625
Earnings per share on continuing and discontinued operations, basic and diluted:			
- on continuing operations		0.24	0.28
- from the profit for the financial year		0.24	0.28

2. Interim condensed separate statement of financial position

	Note	<i>As at 31 March 2017 (unaudited, in PLN'000)</i>	<i>As at 31 December 2016 (in PLN'000)</i>
ASSETS			
Non-current assets			
Property, plant and equipment		3,579	3,811
Long-term programming inventory		31,874	29,404
Other intangible assets		180	220
Shares in subsidiaries and joint ventures	4	145,749	135,749
Trade and other receivables		4,655	6,643
Deferred tax assets		1,142	718
Total non-current assets		187,179	176,545
Current assets			
Inventory		81	124
Short-term programming inventory		6,715	6,548
Loans granted	5	2,372	12,181
Trade and other receivables		34,314	32,215
Cash and cash equivalents		1,333	2,828
Total current assets		44,815	53,896
TOTAL ASSETS		231,994	230,441
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Share capital		1,982	1,982
Share premium		148,940	148,940
Retained earnings		34,276	29,540
Total		185,198	180,462
Non-current liabilities			
Loans and borrowings received		8,224	6,272
Trade and other payables		2,733	3,174
Provisions		73	73
Finance lease liabilities		6,854	8,780
Total non-current liabilities		17,884	18,299
Current liabilities			
Derivative financial instruments		360	
Trade and other payables		13,016	12,069
Provisions		439	465
Deferred income		6,750	8,076
Finance lease liabilities		7,645	7,608
Income tax liabilities		702	3,462
Total current liabilities		28,912	31,680
TOTAL EQUITY AND LIABILITIES		231,994	230,441

3. Interim condensed separate statement of cash flows

	<i>3 months ended 31 March 2017 (unaudited, in PLN'000)</i>	<i>3 months ended 31 March 2016 (unaudited, in PLN'000)</i>
Cash flows from operating activities		
Net profit	4,736	5,625
Adjusted for:		
Depreciation and amortization	4,210	5,664
Foreign exchange (gains)/losses	-	70
Interest and dividends, net	272	67
Purchase of programming inventory	(6,412)	(7,307)
(Increase)/Decrease in receivables	(650)	(7,138)
(Increase)/Decrease in inventory	43	(2)
Increase/(Decrease) in liabilities	(401)	9,043
Increase/(Decrease) in deferred income	(1,326)	2,461
Increase/(Decrease) in provisions	(26)	68
Corporate income tax paid and refunded	(3,887)	(547)
Corporate income tax liability	704	864
Net cash from operating activities	(2,737)	8,868
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	1,333	2,500
Purchase of property, plant and equipment and intangible assets	(15)	(71)
Interest received	-	180
Repayment of loans granted	-	4,731
Loans granted	-	(1,500)
Refund from a brokerage account in connection with the take-up of shares in Stopklatka S.A.	-	1,659
Net cash from investing activities	1,318	7,499
Cash flows from financing activities		
Repayment of finance lease liabilities	(1,970)	(1,996)
Proceeds from loans/borrowings raised	1,894	-
Net cash from financing activities	(76)	(1,996)
Net increase/(decrease) in cash and cash equivalents	(1,495)	14,371
Net foreign exchange (gains)/losses	-	(70)
Cash and cash equivalents as at the beginning of the period	2,828	2,541
Cash and cash equivalents as at the end of the period	1,333	16,842

4. Interim condensed separate statement of changes in equity

	<i>Number of shares</i>	<i>Share capital (in PLN'000)</i>	<i>Share premium (in PLN'000)</i>	<i>Retained earnings (in PLN'000)</i>	<i>Total equity (in PLN'000)</i>
As at 1 January 2017	19,821,404	1,982	148,940	29,540	180,462
Total comprehensive income for the period	-	-	-	4,736	4,736
As at 31 March 2017 (unaudited)	19,821,404	1,982	148,940	34,276	185,198

	<i>Number of shares</i>	<i>Share capital (in PLN'000)</i>	<i>Share premium (in PLN'000)</i>	<i>Retained earnings (in PLN'000)</i>	<i>Total equity (in PLN'000)</i>
As at 1 January 2016	19,821,404	1,982	148,940	31,283	182,205
Total comprehensive income for the period	-	-	-	5,625	5,625
As at 31 March 2016 (unaudited)	19,821,404	1,982	148,940	36,908	187,830

5. Explanatory notes to the quarterly financial information

Note 1 – General information about the Company and its Group

Kino Polska TV S.A. (“the Company”, “the Issuer”) has been operating on the media market since June 2003 (then under the name of Kino Polska TV Sp. z o.o.) and is entered in the Register of Businesses of the National Court Register, maintained by the District Court for the capital city of Warsaw, 13th Business Department, with the reference number KRS 0000363674. On 24 August 2010, the transformation of the Company into a joint stock company was registered. On 12 April 2011, Kino Polska TV S.A. made its debut on the Warsaw Stock Exchange.

As specified in the Articles of Association, the duration of the Company’s operations is unlimited.

The Company’s registered office is in Warsaw, ul. Puławska 61. The Company was assigned a tax identification number (NIP) 5213248560 for making tax settlements and a statistical business identification number (REGON) 015514227 for statistical purposes.

As at 31 March 2017, the Kino Polska TV S.A. Group (“the Group”) was composed of the following entities:

- Kino Polska TV S.A. (Poland) – the Parent;
- Cable Television Networks & Partners sp. z o.o. (“CTN&P”, Poland) – a subsidiary;
- Cyfrowe Repozytorium Filmowe Sp. z o.o. (“CRF”, Poland) – a subsidiary;
- KPTV Media Sp. z o.o. (“KPTV Media”, Poland) – a subsidiary;
- Filmbox International Ltd. (Great Britain) – a subsidiary;
 - Help Film s.r.o. (Czech Republic) – an indirect subsidiary;
 - Help Film Slovakia s.r.o. (Slovakia) – an indirect subsidiary;
 - SPI International Magyarország, Kft. (Hungary) – an indirect subsidiary.

On 22 March 2017, the Issuer purchased from its subsidiary, KPTV Media Sp. z o.o., 164 shares in Cable Television Networks & Partners sp. z o.o., representing a 21% interest in its share capital, for a total price (“the Selling Price”) of PLN 10,000,000.00 (in words: ten million zlotys).

Due to the aforementioned transaction, at present the Issuer holds (in a direct manner) 549 shares in CTN&P, which represents 70% of all shares in this company.

The transaction was an intra-Group transaction and was conducted in order to simplify CTN&P’s ownership structure.

In the period covered by these financial statements, the Issuer’s operations comprised:

- broadcasting television channels: Kino Polska, Kino Polska Muzyka, FilmBox, and theme channels (including sales of advertising spots);
- production of television channels;
- sales of licensing rights.

Composition of the Management Board of Kino Polska TV S.A. in the 3-month period ended 31 March 2017:

- Bogusław Kisielewski – President of the Management Board;
- Berk Uziyel – Member of the Management Board;
- Marcin Kowalski – Member of the Management Board;
- Alber Uziyel – Member of the Management Board.

Composition of the Supervisory Board of Kino Polska TV S.A. in the 3-month period ended 31 March 2017:

- Loni Farhi – Chairman of the Supervisory Board;
- Stacey Sobel – Deputy Chairman of the Supervisory Board;
- Piotr Orłowski – Member of the Supervisory Board;
- Piotr Reisch – Member of the Supervisory Board;
- Krzysztof Rudnik – Member of the Supervisory Board;
- Leszek Stypułkowski – Member of the Supervisory Board;
- Katarzyna Woźnicka – Member of the Supervisory Board.

Explanations regarding the seasonal nature of the Company's activities

In Kino Polska TV S.A., as regards most of the types of its services and goods for resale, the activities are not cyclical or seasonal in nature, which would result in significant volatility of the results of operations during a financial year. Advertising revenue in Poland is usually the lowest in the third quarter of the calendar year (which includes the summer holiday period) and the highest in the fourth quarter.

Note 2 – Declaration of compliance and general principles of preparation

This quarterly financial information has been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting". Consequently, it does not include all of the information or disclosures required for annual financial statements and should be read in conjunction with the annual separate and consolidated financial statements of Kino Polska TV S.A. for the year 2016, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

This quarterly financial information has been prepared in accordance with the accounting principles described in the separate financial statements of Kino Polska TV S.A. as at and for the year ended 31 December 2016.

The amendments to IFRS which came into force as from 1 January 2017 do not have a material effect on the current or previously reported separate results of operations or separate equity values. The Company intends to adopt the amendments to IFRS that are published but not yet effective as at the date of publication of this quarterly financial information in accordance with their effective dates. The assessment of the effect of those amendments on the Company's future separate financial statements is being analysed.

The income tax charge for the interim period is calculated using the tax rate which would be applied to the expected total amount of annual income, i.e. the expected annual average effective tax rate applied to the interim profit before tax.

Note 3 – Operating expenses

	<i>3 months ended 31 March 2017 (unaudited, in PLN'000)</i>	<i>3 months ended 31 March 2016 (unaudited, in PLN'000)</i>
Depreciation and amortization	(3,556)	(2,831)
- including amortization of long-term programming inventory and impairment write-downs	(3,263)	(2,486)
Employee benefit expense, including:	(2,989)	(3,136)
- costs of wages and salaries	(2,555)	(2,643)
- costs of social insurance and other benefits	(461)	(425)
- costs of future benefits (provisions) with respect to retirement benefits, long service bonuses and similar employee benefits	27	(68)
Materials and energy used	(152)	(184)
Broadcasting services	(1,261)	(1,240)
Content costs	(2,711)	(4,931)
- including amortization of short-term programming inventory	(654)	(2,833)
Other services	(9,463)	(9,028)
Taxes and charges	(461)	(432)
Other costs	(153)	(119)
Cost of sales of goods for resale and materials	(769)	(1,072)
Total operating expenses	(21,515)	(22,973)

Note 4 – Purchase of shares

On 22 March 2017, the Issuer purchased from its subsidiary, KPTV Media Sp. z o.o., 164 shares in Cable Television Networks & Partners sp. z o.o., representing a 21% interest in its share capital, for a total price of PLN 10,000,000.00 (in words: ten million zlotys).

Note 5 – Loan repayment

On 24 March 2017, KPTV Media repaid PLN 10,000,000.00 to the Company. This amount represented the principal of the loan granted to this company.

Note 6 – Post balance sheet events

Dividend for 2016

On 12 April 2017, the Company's Supervisory Board adopted a resolution concerning a positive opinion on the proposal of the Management Board of Kino Polska TV S.A. regarding earmarking the Issuer's profit for 2016 of PLN 18,098,006.66 and retained earnings of PLN 4,300,179.86 for the payment of a dividend to the shareholders.


Dividend amount per share: PLN 1.13, gross.

Total dividend amount: PLN 22,398,186.52, gross.

The Supervisory Board has recommended that the Ordinary General Meeting of Kino Polska TV S.A. adopt a resolution on the appropriation of the profit for 2016 and retained earnings, as proposed by the Issuer's Management Board, about which the Company provided information in current report no. 6/2017.

On 28 April 2017, Stopklatka S.A. repaid a part of the loan specified in Note 11 to the consolidated financial statements. Stopklatka S.A. repaid PLN 1,086,698.65 to the Company, including principal of PLN 1,000,000.00 and interest of PLN 86,698.65.

As a result of the aforementioned action, the principal of the loan granted by the Issuer to Stopklatka S.A. amounted to PLN 1,000,000.00 as at the date of approval of this quarterly financial information.



**IV. INFORMATION SUPPLEMENTING
THE CONSOLIDATED QUARTERLY REPORT
OF THE KINO POLSKA TV S.A. GROUP
FOR THE 3-MONTH PERIOD ENDED
31 MARCH 2017**

1. Description of the organization of the Issuer's Group

As at the date of approval of this Report, the Issuer's Group was composed of the following entities:

- a) **"Kino Polska TV" Spółka Akcyjna** (a joint stock company) – the Parent – entered in the Register of Businesses maintained by the District Court for the capital city of Warsaw, 13th Business Department of the National Court Register (KRS), with the reference number 0000363674, with share capital of PLN 1,982,140.40, consisting of 19,821,404 ordinary bearer shares with a par value of PLN 0.10 each;
- b) **Cable Television Networks & Partners sp. z o.o. ("CTN&P")** – a subsidiary – registered by the District Court for the capital city of Warsaw in Warsaw, 12th Business Department of the National Court Register (KRS), with the reference number KRS 0000378839, with share capital of PLN 39,250.00. The Issuer holds 549 shares with a par value of PLN 50.00 each, which constitutes 70% of the votes at the Shareholders' Meeting and 70% of the shares in the company's share capital;
- c) **Cyfrowe Repozytorium Filmowe Spółka z ograniczoną odpowiedzialnością ("CRF")** – a subsidiary – entered in the Register of Businesses maintained by the District Court for the capital city of Warsaw, 13th Business Department of the National Court Register (KRS) with the reference number 0000344814, with share capital of PLN 7,500.00; the Issuer holds 150 shares in Cyfrowe Repozytorium Filmowe Spółka z ograniczoną odpowiedzialnością, with a par value of PLN 50.00 each, which constitutes 100% of votes at the Shareholders' Meeting and 100% of the shares in the company's share capital;
- d) **KPTV Media Spółka z ograniczoną odpowiedzialnością ("KPTV Media")** – a subsidiary – registered by the District Court for the capital city of Warsaw in Warsaw, 12th Business Department of the National Court Register, with the reference number KRS 0000429756, with share capital of PLN 10,000.00. The Issuer holds 200 shares with a par value of PLN 50.00 each, which constitutes 100% of the votes at the Shareholders' Meeting and 100% of the shares in the company's share capital;
- e) **Filmbox International Ltd.** – a subsidiary – entered in the Commercial Register maintained by the Companies House in London, with the reference number 06931548, with share capital of GBP 3,350,000; the Issuer holds 3,350,000 shares with a par value of GBP 1 each, which constitutes 100% of the votes at the General Meeting and 100% of the shares in the company's share capital.

Filmbox International Ltd. is a direct shareholder in the following companies:

- **SPI International Magyarorszag, Kft.** (Budapest, Hungary) – 100% of the shares;
- **Help Film s.r.o.** (Prague, Czech Republic) – 100% of the shares;
- **Help Film Slovakia s.r.o.** (Bratislava, Slovakia) – 100% of the shares.

The following entities are covered by the interim condensed consolidated financial statements of the Kino Polska TV S.A. Group for the 3-month period ended 31 March 2017:

- Kino Polska TV S.A.;
- Cable Television Networks & Partners sp. z o.o.;
- Cyfrowe Repozytorium Filmowe Sp. z o.o.;
- KPTV Media Sp. z o.o.;
- Filmbox International Ltd.;
- Help Film s.r.o.;
- Help Film Slovakia s.r.o.;
- SPI International Magyarország, Kft.

The following entities were covered by the interim condensed consolidated financial statements of the Kino Polska TV S.A. Group for the 3-month period ended 31 March 2016:

- Kino Polska TV S.A.;
- Cyfrowe Repozytorium Filmowe Sp. z o.o.;
- KPTV Media Sp. z o.o.;
- TV Okazje Sp. z o.o. (up until 26 February 2016);
- TV Offers s.r.o. (up until 26 February 2016);
- Filmbox International Ltd.;
- Help Film s.r.o.;
- Help Film Slovakia s.r.o.;
- SPI International Magyarország, Kft.

2. Effects of changes in the structure of the Issuer's Group

On 22 March 2017, the Issuer purchased from its subsidiary, KPTV Media Sp. z o.o., 164 shares in Cable Television Networks & Partners sp. z o.o., representing a 21% interest in its share capital, for a total price ("the Selling Price") of PLN 10,000,000.00 (in words: ten million zlotys).

Due to the aforementioned transaction, at present the Issuer holds (in a direct manner) 549 shares in CTN&P, which represents 70% of all shares in this company.

The transaction was an intra-Group transaction and was conducted in order to simplify CTN&P's ownership structure.

3. The Management Board's position on the possibility of achieving the previously forecasted results for a given year in the light of the results presented in this Report compared with the forecasted results

The Company did not publish any forecasts of the results of operations for 2017.

4. Specification of the shareholders which hold, directly or indirectly via subsidiaries, at least 5% of the total number of votes at the General Meeting of the Issuer, including the specification of changes in shareholdings in the period since the submission of the previous periodic report, separately for each person

The table below presents Kino Polska TV S.A.'s shareholders which hold – to the Company's best knowledge – at least 5% of votes at the General Meeting of the Company as at the date of submission of this Report.

<i>Shareholder</i>	<i>Type of shares</i>	<i>Number of shares¹</i>	<i>Interest in the share capital (%)</i>	<i>Number of votes at the GM</i>	<i>Share in the total number of votes at the GM</i>
SPI International B.V.	Ordinary bearer shares	12,913,285	65.15%	12,913,285	65.15%
Investment funds managed by Ipopema TFI S.A. (including Total FIZ and TTL 1 Sp. z o.o.)	Ordinary bearer shares	1,702,462	8.59%	1,702,462	8.59%
Nationale-Nederlanden Powszechnie Towarzystwo Emerytalne S.A. (including Nationale-Nederlanden OFE and Nationale-Nederlanden DFE) ²	Ordinary bearer shares	1,038,944	5.24%	1,038,944	5.24%
Others	Ordinary bearer shares	4,166,713	21.02%	4,166,713	21.02%
TOTAL	Ordinary bearer shares	19,821,404	100.00%	19,821,404	100.00%

* The information in the table is based on notifications received from the shareholders in accordance with Article 69 of the Act of 29 July 2005 on public offerings, the conditions governing the introduction of financial instruments to organized trading and on public companies, as well as the notification provided by SPI International B.V. about the actual number of the Issuer's shares held.

The parent of SPI International B.V., which holds 100% of shares in that company, is Cooperatieve SPI International U.A. The entity which prepares consolidated financial statements at the ultimate level is SPI Media International B.V. The ultimate level parent is Ms. Hilda Uziyel.

According to the notifications received, from the date of submission of the annual report for 2016, i.e. from 16 March 2017, to date, there were no changes in the shareholding structure of Kino Polska TV S.A., as regards the shareholders which hold at least 5% of votes at the General Meeting of the Company.

5. Breakdown of ownership or ownership rights to the Issuer's shares held by the members of the Issuer's management and supervisory bodies as at the date of submission of the quarterly report, including the specification of changes in shareholdings, in the period since the submission of the previous quarterly report, separately for each person

Forename and surname	Number of shares		Number of votes		Percentage share in the total number of votes		Interest in the share capital	
	As at 11/05/2017	As at 10/11/2016	As at 11/05/2017	As at 10/11/2016	As at 11/05/2017	As at 10/11/2016	As at 11/05/2017	As at 10/11/2016
Bogusław Kisielewski - President of the Management Board	143,465	143,465	143,465	143,465	0.72%	0.72%	0.72%	0.72%
Piotr Reisch - Member of the Supervisory Board	675,932	675,932	675,932	675,932	3.41%	3.41%	3.41%	3.41%

To the Issuer's best knowledge, no other persons who are members of the management or supervisory bodies of Kino Polska TV S.A. hold any shares in the Company.

6. Specification of material court, arbitration or public administration proceedings whose value would amount to at least 10% of the Issuer's equity

The Issuer and other Group entities are not participating in any other court, arbitration or public administration proceedings which meet the criteria set out in this note, with regard to both individual proceedings and two or more proceedings.

7. Information about related party transactions concluded by the Issuer or its subsidiary if, individually or collectively, they are material and were concluded on terms other than an arm's length basis

In the reporting period, the entities in the Issuer's Group did not conclude any material related party transactions on terms other than an arm's length basis.

8. Information about loans or borrowings warranted or guarantees granted by the Issuer or its subsidiary – in total, with respect to any one entity or its subsidiary – if the total amount of the existing warranties or guarantees is equivalent to at least 10% of the Issuer's equity

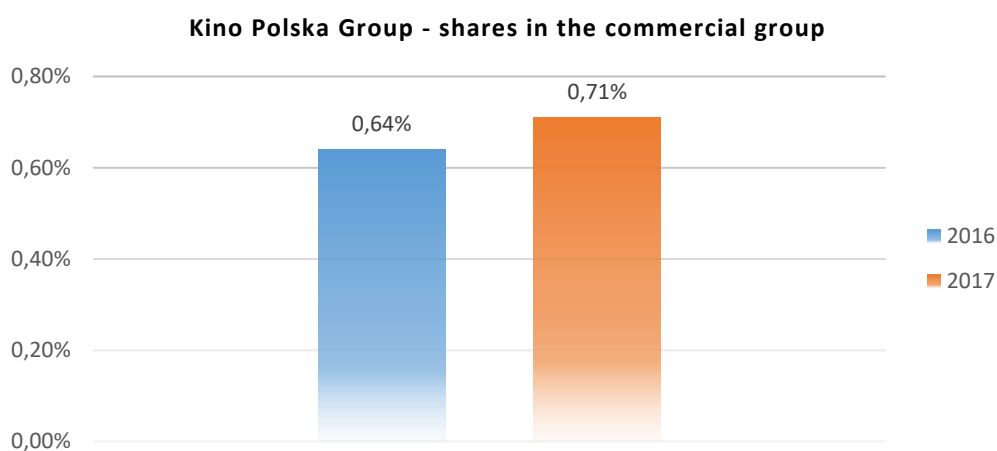
In the period covered by this Report, the Issuer did not warrant any loans or borrowings or grant any guarantees which would meet the above criterion.

9. Other information which, in the Issuer's opinion, is material to the assessment of the Group's human resources, financial position, results of operations and respective changes, as well as information which is material to the assessment of the Group's ability to fulfil its obligations

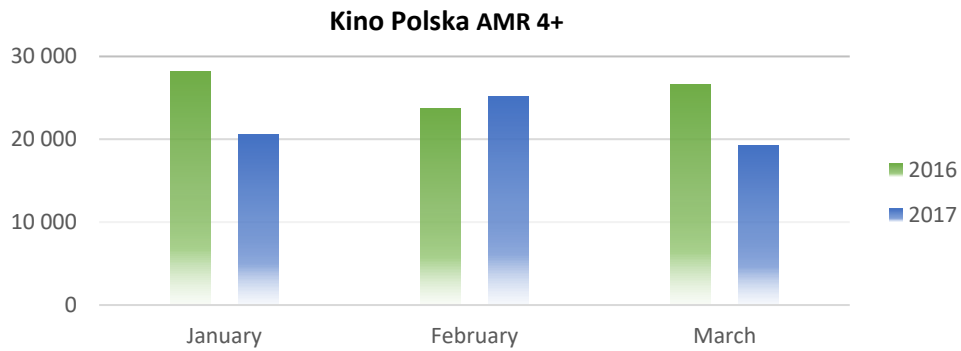
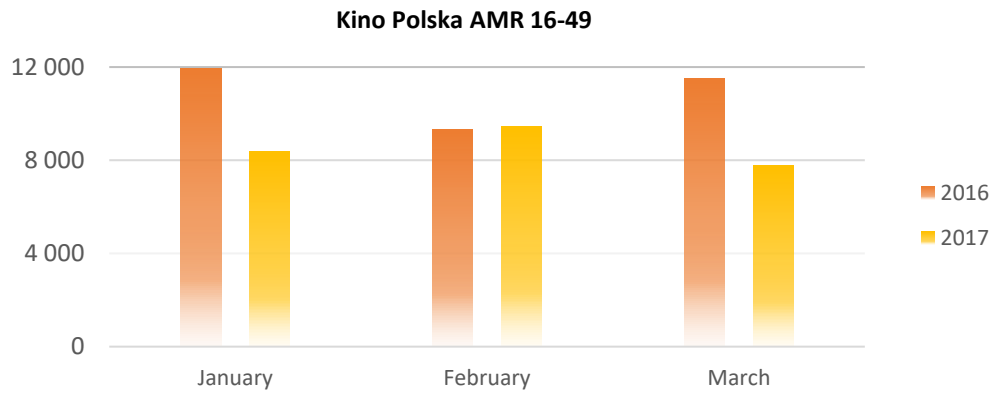
The results of operations of the Kino Polska TV S.A. Group, including a description of the factors and events which affected them significantly, are presented in point I.5 of this Report.

Audience ratings and advertising revenue

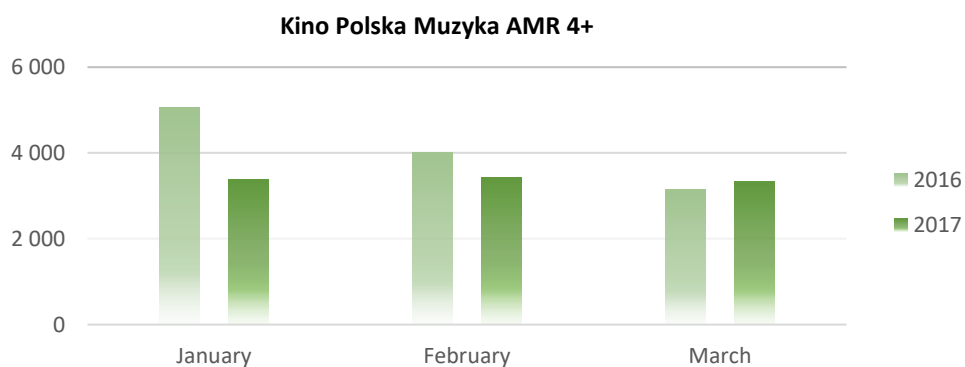
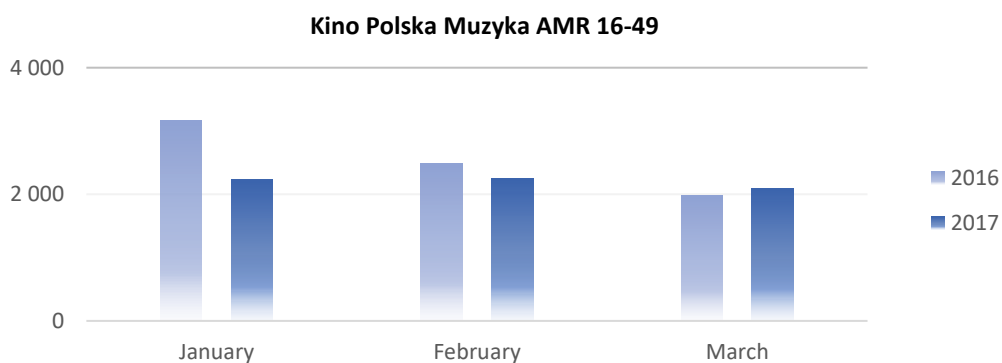
In the first quarter of 2017, the Kino Polska TV S.A. Group's channels achieved in total a 0.71% share in the commercial age group audience (SHR 16-49) – 11% more than in the corresponding period of 2016, which is illustrated in the chart below.



The charts below present the audience ratings of the Kino Polska, Kino Polska Muzyka and FilmBox Basic channels in the first three months of 2017 and 2016.

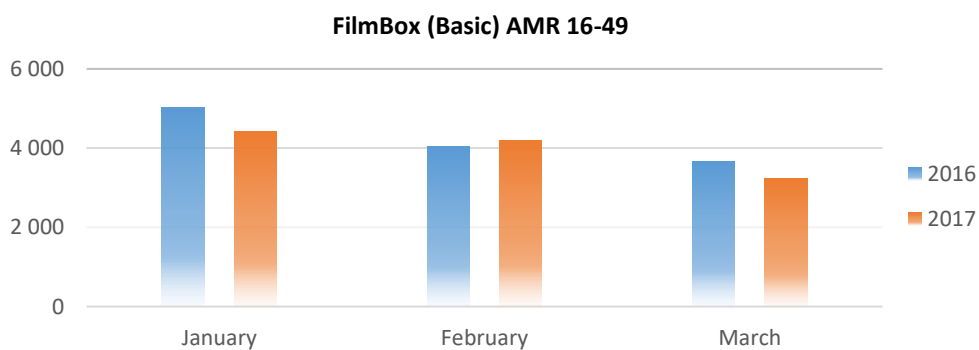


In the first quarter, the Kino Polska film channel achieved on average a 0.32% share in the commercial group audience.

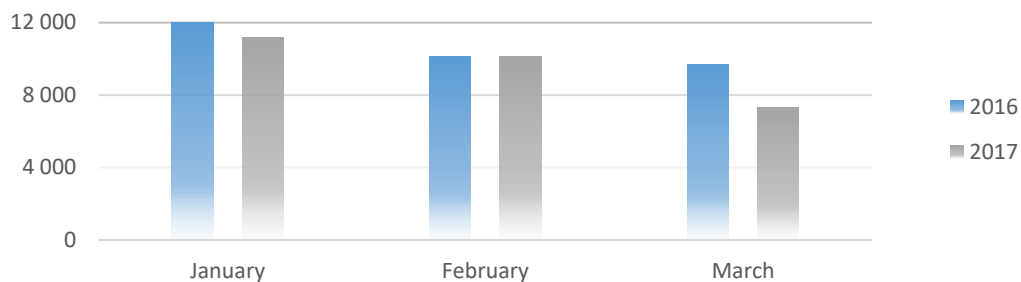


In the first three months, Kino Polska Muzyka recorded a stable share of 0.08% SHR.

FilmBox (Basic)



FilmBox (Basic) AMR 4+



The FilmBox channel attracted 0.15% of the audience in the 16-49 age group, thus maintaining the rating for the corresponding period in 2016. However, the average time spent watching the channel (ATS) increased at the same time: in the first three months of 2017 it exceeded 21 minutes (12% more than in the first quarter of 2016). This was due to, among other things, the purchase of a large content package the first programme items of which were included in the programme format already in the first quarter of 2017. Still, a positive effect on the ratings is to be expected mainly in the following months, when new titles are added to the catalogue.

The terrestrial channel Zoom TV, which began broadcasting in October 2016 and acquired a 0.09% share in the commercial age group audience last year, improved its ratings considerably in the first quarter of 2017. In the analysed period, it achieved on average a 0.16% share in the 16-49 audience; however, in February – which was a record month so far, Zoom TV's share in this viewer group reached 0.18%.

10. Specification of the factors which, in the Issuer's opinion, will have an effect on the Group's results over at least the following quarter

In the coming periods, the Kino Polska TV S.A. Group intends to continue pursuing its strategic objective which is to consolidate its position on the Polish market and to continue developing its activities on foreign markets. It also plans to begin selling advertising spots in the FilmBox Basic channel in selected countries in Central and Eastern Europe (at present, the advertisements in the FilmBox Basic channel are only broadcast on the Polish market). Thanks to this, the Group will be able to record higher advertising revenue, which will translate into a further increase in its revenues.

The Group's results of operations are largely dependent on the audience ratings of the channels in its portfolio, therefore, more expenditure is planned to be incurred on content, as a result of which the programme catalogue will be expanded gradually, which, in turn, will lead to an increase in audience ratings and consolidate the appeal of the Group's channels to advertisers.

In the Issuer's opinion, the programme changes and the verification of the programme format of the Zoom TV channel in terms of its audience ratings in the first quarter of 2017 will result in a further improvement in this station's results. There are also plans to strengthen the programme catalogue, thanks to which Zoom TV will become even more attractive both to viewers and to advertisers. The broadcaster of the channel – Cable Television Networks & Partners sp. z o.o. – also intends to continue expanding Zoom TV's technical reach.

In the coming periods, Cyfrowe Repozytorium Filmowe Sp. z o.o. will continue its activities to date, in the area of reconstruction and archiving digital copies as well as repository activities and creating digital copies. It also intends to distribute films following digital remastering of the image and sound on a larger scale. In the second quarter of 2017, as part of its publishing activities, CRF intends to begin working on a "Kieślowski" publication, in cooperation with the Polish Film Institute. The essence of this project is to prepare a publication with digitally remastered films directed by Krzysztof Kieślowski. The funds for the preparation of the "Kieślowski" publication will above all come from a subsidy granted in April of this year (of PLN 500 thousand) which CRF obtained for this purpose under the Operational Programme Digital Poland. CRF is also working on raising funds for a commercial re-edition of the "Wajda" publication.