KINO POLSKA TV S.A.

ANNUAL REPORT2017

KINO POLSKA TV S.A.

SEPARATE ANNUAL REPORT

FOR THE YEAR 2017

CONTENTS

Ladies and Gentlemen,

I am honoured to present this Annual Report of Kino Polska TV S.A. (“the Company”, “the Issuer”) for 2017, which includes an overview of the Company’s operating and financial results, and of important events.

In 2017 Kino Polska increased the attractiveness of the offered content by purchasing the rights to broadcast 200 films from the Kino Świat portfolio over the next 4–5 years. This allowed our program offering to meet the constantly increasing requirements of the audience. In the previous year, the Company continued its involvement in the Zoom TV channel, owned by Cable Television Networks & Partners sp. z o.o. (“CTN&P”). This project is still at the development stage and requires further capital expenditure. Its dynamic development enables the Management Board to have an optimistic view of the future. In January 2017 the average monthly viewership of Zoom TV in the commercial group (SHR 16–49) amounted to 0.15%, and in December 2016 it amounted to 0.33%. In the foreseeable future, the Issuer is expecting a further increase in viewership and an expansion of the real technical reach of MUX-8. Despite significant expenditure, the Issuer paid the highest dividend in its history for 2016, i.e. PLN 1.13 per share.

In consideration of the dynamic growth and the potential of the Zoom TV channel, on 23 January 2018 the Issuer purchased 236 shares in CTN&P, constituting 30% of the company’s share capital, for PLN 10 million. After the transaction Kino Polska TV S.A. holds 100% shares in the share capital of CTN&P.

The above events translated into the Company’s very good financial results. In 2017, the Issuer generated separate profit on sales of PLN 114.06 million. Lower revenues were the effect of lower sales of advertisements in the Kino Polska channels and lower revenues in the Production of TV channels segment. In the analysed period, operating profit amounted to PLN 24.42 million. Net profit for the audited year amounted to PLN 21.88 million.

In 2018, we will continue measures aimed at the further development of Kino Polska TV S.A. We intend to focus on enhancing the quality and attractiveness of the content offered, which should translate into an increase in revenue. I hope that the path we have picked will bring a satisfactory increase in the Company’s Shareholder and Investor value.

You are cordially invited to read the Report.

Bogusław Kisielewski
President of the Management Board of Kino Polska TV S.A.

This report ("Report") of Kino Polska TV S.A. ("the Company" or "the Issuer") for 2017 has been prepared in accordance with §91 clause 1 of the Decree of the Minister of Finance dated 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").

Pursuant to §101 clause 3 of the Regulation, Kino Polska TV S.A. does not submit an independent separate quarterly report for the fourth quarter of 2017.

I. SELECTED FINANCIAL DATA

Selected financial data		*12 months ended 31 December 2017 (in PLN'000)*	*12 months ended 31 December 2016 (in PLN'000)*	*12 months ended 31 December 2017 (in PLN'000)*	*12 months ended 31 December 2016 (in PLN'000)*
		in PLN'000		*in EUR'000*	
I	Sales revenue	114,063	119,301	26,872	28,106
II	Operating profit	24,420	22,370	5,753	5,270
III	Profit before tax	25,239	21,956	5,946	5,173
IV	Total comprehensive income	21,882	18,098	5,155	4,264
V	Weighted average number of treasury shares (not in thousands)	19,821,404	19,821,404	19,821,404	19,821,404
VI	Net earnings per share from continued operations (not in thousands)	1,10	0,91	0,26	0,22
VII	Net cash from operating activities	20,922	26,017	5,165	6,129
VIII	Net cash from investing activities	(236)	(4,125)	(56)	(972)
IX	Net cash from financing activities	(23,240)	(21,605)	(5,475)	(5,090)
X	Cash and cash equivalents at the end of the period	274	2,828	300	666
		As at 31 December 2017 (in PLN'000)	*As at 31 December 2016 (in PLN'000)*	*As at 31 December 2017 (in PLN'000)*	*As at 31 December 2016 (in PLN'000)*
		in PLN'000		*in EUR'000*	
XI	Non-current assets	179,043	176,545	42,927	42,328
XII	Current assets	41,423	53,896	9,931	12,922
XIII	Total assets	220,466	230,441	52,858	55,250
XIV	Long-term liabilities	2,614	18,299	627	4,387
XV	Short-term liabilities	37,946	31,680	9,098	7,595
XVI	Equity	179,906	180,462	43,134	43,267
XVII	Share capital	1,982	1,982	475	475

The above financial data for the year 2017 and 2016 were translated to EUR according to the following principles:

- assets, and liabilities and equity – at the mid exchange rate set by the National Bank of Poland prevailing as at 31 December 2017 – PLN/EUR 4.1709;
- particular statement of comprehensive income items and cash flow items – at the mid exchange rate calculated as the arithmetical mean of the rates prevailing as at the last day of each month in the period from 1 January 2017 to 31 December 2017 set by the National Bank of Poland – PLN/EUR 4.2447.

II. KINO POLSKA TV S.A. DIRECTORS' REPORT FOR 2017

1. Overview of Kino Polska S.A.

Kino Polska TV S.A. is the parent of the Kino Polska TV S.A. Group. ("the Group"), a modern, dynamically developing media group, aspiring to become the lead player on the Central and East European market.

Kino Polska TV Sp. z o.o. was established in June 2003, and in December of the same year its first television channel, Telewizja Kino Polska, started broadcasting. In 2010 Kino Polska TV Sp. z o.o. was transformed into a joint-stock company. On 12 April 2011, Kino Polska TV S.A. made its debut on the Warsaw Stock Exchange. SPI International B.V. ("SPI") is the majority shareholder of the Company.

The Issuer's core operations constitute: broadcasting and producing television channels (Kino Polska, Kino Polska Muzyka, FilmBox Group channels, and topical channels, sales of advertising time (on channels distributed in Poland) and trading in licensing rights. The channels produced and broadcast by the Company are included in the offers of all major Polish operators. Kino Polska TV S.A. also produces channels for foreign markets.

Kino Polska TV S.A. diversifies the sources of its revenues by developing channels distributed terrestrially. The Company owns 41.04% shares in Stopklatka S.A.– the broadcaster of the first terrestrial film channel Stopklatka TV (the channel is also available in the offer of most paid TV providers in Poland). In July 2010, Stopklatka S.A. made its debut on the NewConnect market.

As at 31 December 2017 the Issuer held directly a total of 70% of shares in Cable Television Networks & Partners sp. z o.o. – a company which started broadcasting Zoom TV channel on 25 October 2016 through the eighth multiplex of terrestrial digital TV. The program may also be found in the offer of many cable and satellite operators.

As at 31 December 2017, the Kino Polska TV S.A. Group comprised the following entities:

- KPTV Media Sp. z o.o. (Poland) hereinafter referred to as "KPTV Media" – a subsidiary;
- Cyfrowe Repozytorium Filmowe Sp. z o.o. (Poland) hereinafter referred to as "CRF" or "Repository" – a subsidiary;
- Cable Television Networks & Partners sp. z o.o. (Poland) hereinafter referred to as "CTN&P" – a subsidiary;
- Filmbox International Ltd. (United Kingdom) – a subsidiary;
    - Help Film s.r.o. (Czech Republic) – an indirect subsidiary;
    - Help Film Slovakia s.r.o. (Slovakia) – an indirect subsidiary;
    - SPI International Magyarorszag, Kft. (Hungary) – an indirect subsidiary.

2. The Company's external business environment

2.1 Macroeconomic environment[1]

The macroeconomic environment in the Polish and global economy have a material impact on the results achieved by the Issuer. Those of special importance to the Company are the ones which impact the level of household and enterprise spending. These include the GDP level, GDP increase and the general condition of the economy, inflation rate, unemployment rate, dynamics of real wages, fluctuations in foreign exchange rates, level of consumer expenses of households and capital expenditure of enterprises and their advertising expenditure.

In 2017 the overall condition of the Polish market was favourable for engaging in business activities. In the analysed period Polish GDP increased by 4.6% year on year. In 2018 the Central Statistical Office (GUS) expects further increase in investments, which will translate into entrepreneurs' expenses. According to GUS forecasts, the year is expected to bring about approx. 4.2% increase in GDP. The extremely good condition of the Polish economy should also translate into increased advertising expenditure of enterprises. A continuation of increases in household incomes together with the good labour market data in 2018 should translate into an increase in private consumption.

2.2 The television market in Poland

The largest operators include: Cyfrowy Polsat, UPC Polska and Multimedia Polska. Over 65% of all households avail themselves of their offer. Operators of satellite platforms and cable networks address their offer mainly to viewers who are looking for the highest quality entertainment. Therefore, television broadcasters try to ensure unique content in their channels, including topical channels.

The consolidation in the cable market we have observed for several years limits the number of companies which provide access services to paid television. However, the number of companies still remains at a relatively high level. Technological development and digitization enable implementing new solutions, which often are innovative on a national scale. We may observe an increase in the number of entities that provide IPTV services. According to the Establish Survey already 66.9% of Polish households have access to Internet, and 70.2% have access to the internet though smartphones. Almost 5.2% of them view television via the internet, and 19.7% uses VOD services. In 2017 over 1/3 of all households with TVs in Poland use exclusively the services of digital terrestrial TV. In 2017 the number of households with TVs in Poland was assessed at a level similar to the prior year at approx. 13 million. Almost 6 million had digital terrestrial TVs in their homes. The decided majority, i.e. over 4.5 million comprised households where exclusively the terrestrial programs were available. The remaining households from NTC, i.e. approx. 1.4 million are so-called shared households, where apart from the terrestrial signal TV was viewed via cable and/or satellite.[2]

[1] Source: Central Statistical Office
[2] Ibid.

In accordance with the PMR Consulting & Research sp. z o.o. forecasts, until 2021 satellite digital platforms will continue to dominate. They should occupy almost 60% of the paid television market in Poland.[3] The value of the Polish paid television market will amount to approx. PLN 6 billion.[4]

Currently, over 200 channels are available on the Polish market, of which 140 are monitored in terms of audience ratings by Nielsen Audience Measurement ("NAM"). Television stations belong to more than a dozen media groups of which almost 70% market shares are held by channels belonging to the Polsat Group, TVN Group and Public Television. In December 2017 the Kino Polska media group ranked high, being 8th among all media groups in Poland with a share of nearly 1.99% SHR in the commercial group (16–49).

2.3 Advertising market on the Polish media market

One of the significant sources of the Issuer's revenue is advertising revenue. In 2017 the market of TV advertising grew by 11 percent to PLN 27 billion. This translated into good results of the Issuer in this segment of revenues. W 2017 Polish television stations broadcast 31.47 million advertising spots in total, which is 16% more than in 2016, as Nielsen Audience Measurement data shows. The value of the Polish advertising market increased by 2% in 2017. Pursuant to the forecast of the Media House Zenith, total advertising expenditure amounted to more than PLN 7 billion, net. Pursuant to the forecast of Zenith, in 2018 an increase in expenses on television advertising at the level of 1.9% may be expected. As at the end of the year the value is expected to reach PLN 7.177 billion, net.

According to the estimations of PricewaterhouseCoopers Sp. z o.o. in the foreseeable future the advertising market in Poland will grow by 0.8 percent on average, year on year, and the whole segment will amount to USD 932 million in 2021.[5]

2.4 The capital market and quotations of the Issuer's shares

2.4.1 The capital market in 2017

Both the global business conditions and the economic climate in the country have an impact on the Polish capital market. Investors may count 2017 as a very successful year. In the analysed period the WIG index increased from 51,908 points at the beginning of January to 64,053 points as at the end of 2017. In 2017, the WSE managed to list as many as 15 new companies on the main market (of which 7 were transferred from the NewConnect market).

2.4.2 Quotations of the Issuer's shares

The table below shows data relating to the Issuer's shares from the date of its debut on the Warsaw Stock Exchange on 12 April 2011, compared year on year.

In 2017 the highest price of the Company's shares at the closing of a session was PLN 13.85 (on 21 March 2017), and the respective lowest price was PLN 9.89 (on 13 November 2017).

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[3] Source: "Pay TV market in Poland 2017", PMR Ltd. Sp. z o.o.

[4] Ibid.

[5] Source: "Perspektywy rozwoju branży rozrywki i mediów w Polsce 2017–2021" PwC

As of the date of the debut on the Warsaw Stock Exchange, the Company's share price increased by PLN 2.03 (12 April 2011 vs 29 December 2017).

Data on the quotation of shares of Kino Polska TV S.A.

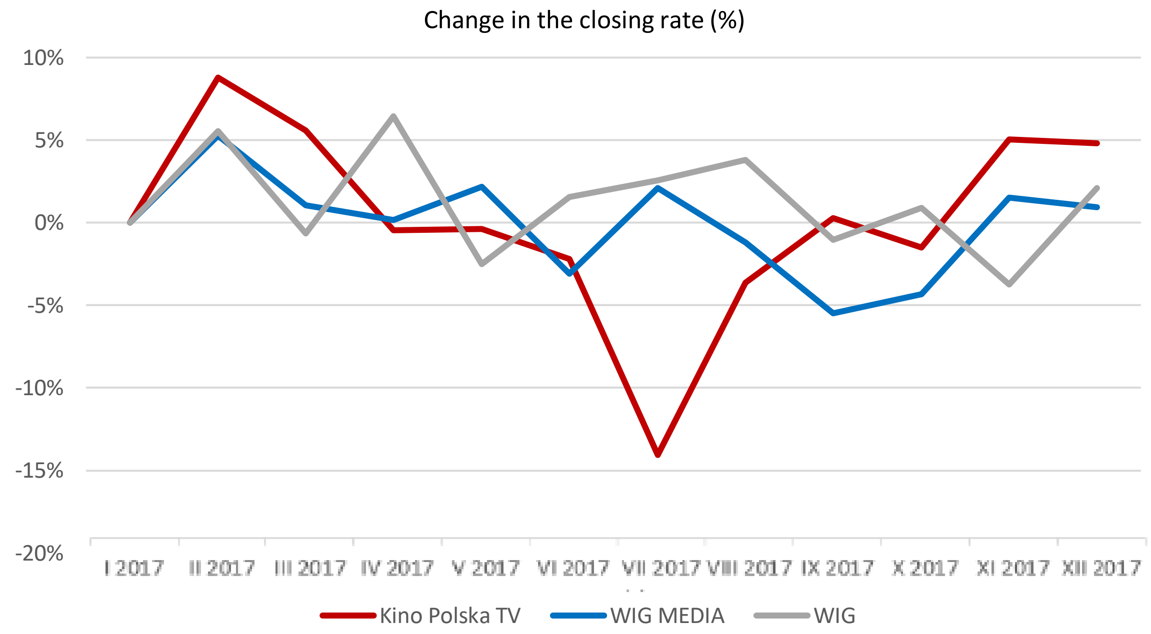
	12 months ended 31/12/2017	*12 months ended 31/12/2016*	*12 months ended 31/12/2015*	*12 months ended 31/12/2014*
Price as at the end of the period	11.5	11.7	11.5	12.5
Change year on year (in terms of value)	-0.2	0.2	(1)	(15.11)
Change year on year (in percentages)	(2%)	2%	(8%)	(55%)
Minimum closing price	9.89	10.94	11.35	9.9
Maximum closing price	13.85	14.08	16.98	28.12
Average closing price in all sessions during the year	11.67	12.5	13.7	17.0
Trading volume (pieces) – daily average	3,498	2,861	4,284	9,235
Trades (in PLN'000) – daily average	41	36	59	170
Number of shares at the end of the year	19,821,404	19,821,404	19,821,404	19,821,404
Capitalization	227,946,146	231,910,427	227,946,146	247,767,550

The Issuer shares the profit earned with its shareholders by paying out dividend. The details are shown in the table below.

Period for which dividend was paid	*Value of dividend per share*	*Number of shares covered by dividend*	*Dividend Date*	*Dividend payment date*
2016	PLN 1.13	19,821,404	04/07/2017	18/07/2017 03/08/2017
2015	PLN 1	19,821,404	06/06/2016	20/06/2016
2014	PLN 1	19,821,404	30/06/2015	14/07/2015
2013	PLN 0.45	13,821,404	14/07/2014	14/08/2014
2012	PLN 1	13,821,404	10/09/2013	25/09/2013
2011	PLN 1	13,859,000	29/05/2012	13/06/2012

The total value of dividends paid by the Company was PLN 95,941,030.32.

Price of Kino Polska TV S.A. shares versus WIG-Media and WIG indices in 2017



3. Information on the entity's expected development

The ultimate goal of Kino Polska TV S.A. is to continue strengthening its position on the Polish television market and developing its offer on the international market. In the foreseeable future the Issuer will begin selling advertising time on the FilmBox basic channel in selected Central and Eastern Europe countries (currently advertisements are only broadcast on the FilmBox basic channel in Poland). The Group will note higher advertising revenue, which will translate into a further increase in its revenue. The Issuer is constantly advertising in purchasing advertising content and is consistently developing its program library to increase the attractiveness and quality of its offer. In the Company's opinion such actions will translate into an increase in the number of viewers of the programs it offers. The Issuer's Group plans to continue to develop its offer of FilmBox brand Premium channels.

The programming changes and verification of the programming schedule of Zoom TV in the first quarter of 2018 will increase the results of the channel in terms of its audience ratings in the Issuer's opinion. Further expansion of the program library is also planned. Those actions are aimed at improving the attractiveness of the program both for the audience and for the advertisers. The broadcaster of Zoom TV – Cable Television Networks & Partners sp. z o.o. – intends to continue increasing the technical reach of its TV station. Currently the channel reaches almost 9 million households (without counting the terrestrial digital TV).

4. Information on significant research and development achievements

In 2017 the Company did not engage in research and development work.

5. Major events in Kino Polska TV S.A.'s operations, which took place in the financial year and after the balance sheet date, up to the date of approval of the financial statements

2017
Write-down of the value of a subsidiary
On **20 January 2017** the Issuer's Management Board recognized the need to set up an impairment write-down on the Issuer's subsidiary – Cyfrowe Repozytorium Filmowe Sp. z o.o. (hereinafter: "CRF") of which the Issuer informed in Current Report No. 2/2017. The need to make the write-down resulted from the Management Board being informed on 20 January 2017 that Centrum Projektów Polska Cyfrowa negatively assessed the application filed under the Operational Programme Digital Poland (the "Programme"), of which CRF was to become the indirect beneficiary. The said Programme was included in CRF's business plan. Participation in the Programme was to bring an increase in CRF's revenues and EBIT margin from 2017 in respect of the digitization and archiving segment. According to the Issuer's estimates as at the date of the current report No. 2/2017, the said write-down was to reduce the profit in the consolidated financial statements of the Issuer's Group for 2016 by PLN 1,934 thousand (the write-down related to goodwill and selected intangible assets), and reduce the profit in the separate financial statements of the Company for 2016 by PLN 3,922 thousand (the write-down related to the value of the Issuer's shares and the loan granted to the Company plus the respective interest). The audited financial data on the value of CRF was provided in the consolidated financial statements of the Kino Polska TV S.A. Group for the year ended 31 December 2016.
Changes in the composition of the Supervisory Board
On **30 May 2017** the Issuer's Ordinary General Shareholders' Meeting appointed the previous Members of the Company's Supervisory Board for another term of office, entrusting each of them with the function held in the previous term (Current Report No. 9/2017). The current composition of the Supervisory Board of Kino Polska TV S.A. is as follows: • Loni Farhi – Chair of the Supervisory Board (the term of office expires on 30 May 2020); • Stacey Sobel – Deputy Chair of the Supervisory Board (the term of office expires on 30 May 2020); • Piotr Orłowski – Member of the Supervisory Board (the term of office expires on 30 May 2020); • Piotr Reisch – Member of the Supervisory Board (the term of office expires on 30 May 2020); • Krzysztof Rudnik – Member of the Supervisory Board (the term of office expires on 30 May 2020); • Leszek Stypułkowski – Member of the Supervisory Board (the term of office expires on 30 May 2020); • Katarzyna Woźnicka – Member of the Supervisory Board (the term of office expires on 30 May 2020).

Zoom TV

On **22 March 2017** Kino Polska TV S.A. purchased from its subsidiary – KPTV Media Sp. z o.o. ("KPTV Media") 164 shares in Cable Television Networks & Partners sp. z o.o. ("CTN&P"), which constitute a 21% interest in that company's share capital, for a total price ("Selling Price") of PLN 10,000,000.00 (in words: ten million zlotys).

In connection with the transaction the Issuer held (directly) 549 shares in CTN&P, which is 70% of the total interest in the company. The transaction was an intercompany transaction and was performed to simplify the ownership structure of CTN&P. (Current Report No. 5/2017).

On **13 December 2017** the Issuer's Management Board informed that on 23 January 2018 it will purchase 236 shares in Cable Television Networks & Partners sp. z o.o. ("CTN&P"), constituting 30% of the company's share capital. (Current Report No. 14/2017).

On **23 January 2018** the Management Board of "Kino Polska TV" S.A. informed that it purchased 236 shares in Cable Television Networks & Partners sp. z o.o. ("CTN&P"), which constitute a 30% interest in that company's share capital, for a total price of PLN 10,000,000 (in words: ten million zlotys). Currently the Issuer holds 100% shares in the share capital of CTN&P. (Current Report No. 2/2018).

General Shareholders' Meetings

Ordinary General Shareholders' Meeting

On 30 May 2017 an Ordinary General Shareholders' Meeting of Kino Polska TV S.A. took place, during which resolutions were passed on the following:

- on the approval of the Directors' Report and the financial statements of Kino Polska TV S.A. for the financial year ended 31 December 2016, compliant with the International Financial Reporting Standards;
- on the approval of the Group Directors' Report and the consolidated financial statements of the Kino Polska TV S.A. Group for the financial year ended 31 December 2016, compliant with the International Financial Reporting Standards;
- on the appropriation of profit for the year 2016 and for the previous years;
- on granting a vote of approval to the Management Board Members for the financial year 2016;
- on the appointment of members of the Supervisory Board for another term of office;
- on changing the Company's Articles of Association and adopting a consolidated text of the Articles of Association (Current Report 9/2017 and 13/2017).

Dividend for the year 2016

On 20 March 2017 the Issuer's Management Board decided to present a request ("Request") for payment of dividend of PLN 1.13 per share from the profits of PLN 18,098,006.66 earned by the Company in 2016 and

of PLN 4,300,179.86 in the previous years, i.e. PLN 22,398,186.52 in total, at the next General Shareholders' Meeting, after obtaining the opinion of the Supervisory Board (Current Report No. 4/2017).
On 12 April 2017 the Company's Supervisory Board passed a resolution to give a positive opinion on the Request (Current Report No. 6/2017).
On 30 May 2017 the Ordinary General Shareholders' Meeting of Kino Polska TV S.A. passed a resolution on the appropriation of the Company's net profit in accordance with the presented Request.
Pursuant to the Resolution of the Ordinary General Shareholders' Meeting, those shareholders who were vested with the Company's shares on 4 June 2017 ("Dividend Date") were entitled to dividend.
The dividend was paid in two instalments. The first instalment of PLN 0.57 gross per share was to be paid on 18 July 2017 (the first instalment of the dividend was paid on time), and the second instalment of PLN 0.56 gross per share was to be paid on 3 October 2017 (the second instalment was paid on time).
The number of shares covered by dividend: 19,821,404.

In passing the Resolution on payment of dividend according to the above schedule, the Issuer's Ordinary General Shareholders' Meeting took into consideration the justification of the Company's Management Board in respect of the proposed dividend payment dates for 2016 and for the previous years ("Justification"), which was presented during the Ordinary General Shareholders' Meeting. In the Justification the Issuer's Management Board informed that the submitted proposal of distribution of profit for 2016 and for the previous years, including the proposed schedule of payments of dividend in instalments are balanced and take into account both the expectations of the shareholders which have been submitted to the Company and guarantee the necessary capital to the Company and other Group entities to pursue their development strategy.

The Issuer's Management Board also stressed that the Company, through its subsidiary, Cable Television Networks
& Partners Sp. z o.o. (hereinafter: "CTN&P"), is engaged in the Zoom TV channel, which – as a new project still at the development stage – requires capital expenditure from the Company. Another important factor is that the dividend for 2016 and for the previous years was the highest in the Issuer's history and amounted to PLN 1.13, gross, per the Issuer's share. In the opinion of the Issuer's Management Board the submitted proposal for the distribution of profit was both in the interests of the shareholders and the Company. (Current Report No. 10/2017).

Amendments to the Company's Articles of Association
On 30 May 2017 the Issuer's Ordinary General Shareholders' Meeting, based on Resolutions Nos. 29 and 30, amended the Company's Articles of Association as follows:

- a new section 5 was added to § 12 which reads as follows:
  "5. The Management Board is obliged to prepare and present for the approval of the Supervisory Board, by 31 October of the given financial year at the latest, the Company's annual budget for the following financial year";
- in § 17 section 1 a new point 9) was added which reads as follows:

"9) approval of the Company's annual budget referred to in §12 section 5 of the Articles of Association, by 31 December of the given financial year" (Current Report No. 9/2017). Amendments to the Issuer's Articles of Association were registered by the Registration Court on 29 June 2017, of which the Issuer informed in its Current Report No. 13/2017.
Signing of a Letter of Intent
On **7 March 2018** the Issuer and Agora S.A. ("Agora") signed a letter of intent relating to the negotiations on a potential transaction of the Issuer purchasing from Agora shares in Stopklatka S.A. ("Stopklatka"). Signing the Letter of Intent does not oblige any of the parties to exercise the said transaction. The Letter of Intent is binding until 30 June 2018.

Notes

Additional notes on material factors with an impact on the Issuer's results in the period under discussion are included in Note 11 to the Directors' Report for 2017.

6. Information on the current and anticipated financial standing

In the opinion of the Management Board of Kino Polska TV S.A., the Company's financial position is stable and it is not exposed to liquidity risk.

The Issuer's Management Board anticipates systematically increasing Kino Polska TV S.A.'s revenues.

A detailed description of Kino Polska TV S.A.'s results is presented in Note 11 of the Directors' Report for 2017.

7. Information on the purchase of treasury shares, and in particular, the purpose of their purchase, their number and nominal value, indicating the portion of share capital they represent, their purchase price and sales price in the event of their sale

In 2017 the Issuer did not engage in treasury shares repurchase transactions.

8. Information on the branches or plants owned by the entity

In 2017, the Company did not have any plants or branches.

9. Information on financial instruments

Risks: price risk, credit risk, significant disturbances in cash flows and loss of financial liquidity, to which the entity is exposed

During the reporting period, Kino Polska TV S.A. was not exposed to a risk related to the price change of offered services or to the drop in demand for its services. On the other hand, in purchasing services and assets, the Company tried to negotiate their prices and payment terms. Liquidity risk is minimized through on-going monitoring and managing maturities of licence, distribution liabilities and maturities of receivables in respect of sales denominated in foreign currencies, mainly in respect of production services and managing the programming library.

The Company's credit risk is related mainly to its trade receivables. The Company monitors receivables from its subscribers and performs debt collection activities, including blocking the signal transmission to the subscriber on a current basis.

To ensure smooth financing of the Company's operations on 8 June 2016 the Issuer signed a MultiLinia agreement with Bank Zachodni WBK S.A. Based on the Agreement, the Bank agreed to provide services to the Company in the form of a bank overdraft designated for financing the ongoing business operations of the Issuer and a guarantee line of up to the total amount of PLN 30,000,000.00. Within the above-mentioned amount, the guarantee limit was set at PLN 1,000,000.00. Pursuant to the provisions of the Agreement, the overdraft repayment deadline is 8 June 2018. The interest rate on the bank overdraft is variable and amounts to 1M WIBOR for each day, plus the Bank's margin.

The repayment of the Overdraft Facility is legally secured by:

- a blank promissory note on behalf of the Bank submitted by the Company;
- a statement of the Issuer's submission to enforcement proceedings pursuant to Article 777 of the Code of Civil Procedure;
- granting the Bank authorization to dispose of the cash in the Company's current accounts with the Bank;
- assignment of receivables from trade contracts.

Further details on the Company's financial risks and the way of managing them are presented in Note 5.10.3 to the Separate Financial Statements of the Company for the year ended 31 December 2017.

Goals and methods used by the Company to manage financial risk, including methods used for hedging significant types of planned transactions for which hedge accounting is used

Further details on the Company's financial risks and the way of managing them are presented in Note 5.10.3 to the Separate Financial Statements of Kino Polska TV S.A. for the year ended 31 December 2017.

The Company does not use hedge accounting.

10. Financial and non-financial ratios, including information on environmental and employment issues, as well as additional explanations of amounts disclosed in the financial statements

The Company's key financial ratios in the years 2017 and 2016 were as follows:

Ratio	Formula	12 months ended 31 December 2017	12 months ended 31 December 2016
Return on assets (RoA)	net profit*/ average annual assets balance	10%	8%
Return on equity (RoE)	net profit* / average annual equity balance	12%	10%
Net profitability of sales	net profit* / sales revenue	19%	15%
EBITDA profitability	EBITDA / sales revenue	37%	37%
Liquidity ratio I	total current assets / short-term liabilities	1.09	1.70
Gearing	total liabilities / total assets	0.18	0.22

* net profit on continued operations

A detailed description of Kino Polska TV S.A.'s results is presented in Note 11 of the Directors' Report for 2017.

The employment structure in Kino Polska TV S.A. broken down by key departments (by number of employees) was presented in Note 5.9.3 to the Separate Financial Statements for the year ended 31 December 2017.

Environmental issues do not relate to the Company.

11. Discussion of the basic economic and financial amounts and description of the factors, including non-typical factors which have an impact on the Issuer's operations and its financial results

11.1 Financial results

Selected economic and financial amounts	12 months ended 31 December 2017 (in PLN'000)	12 months ended 31 December 2016 (in PLN'000)	Change %
Sales revenue	114,063	119,301	(4)
Operating profit	24,420	22,370	9
Net profit/loss on continued operations	21,882	18,098	21
EBITDA[6]	42,133	43,623	(3)
EBITDA profitability[5]	37	37	0

[6] The definition of EBITDA was provided in Note 25 to the Interim condensed consolidated financial statements for 3 and 9 months ended 30 September 2017

Sales revenues of Kino Polska TV S.A. in 2017 amounted to PLN 114,063 thousand, which is a 4% drop compared with the same period of the prior year. The decrease in sales revenues was due mainly to the lower value of advertising sales in the Kino Polska channels and lower revenue of the Production of TV channels.

The Company's advertising revenue amounted to PLN 19,750 thousand, which is a nearly 9% drop compared with 2016. Advertising revenue in the Filmbox channels was maintained at a similar level to 2016, and advertising revenue in the Kino Polska channels noted a 11.5% drop. Broadcasting revenue from the Filmbox and Kino Polska channels was similar to the previous year's. In effect of those changes, the operating segment Filmbox brand film channels and topical channels earned similar revenue to that earned in 2016 (PLN 45,263 thousand), whereas sales of the Kino Polska brand channel segment noted a 6% drop and amounted to PLN 28,831 thousand. On the other hand, revenue of the Production of TV channels segment, as a result of smaller purchases of short-term content for foreign companies, noted an 8% drop compared with the previous year and amounted to PLN 28,318 thousand in 2017. The results of the Sales of licencing rights segment were at the previous year's level and amounted to PLN 7,905 thousand.

In the period analysed both the net operating profit and the net profit on continued operations were higher by 9% and 21% respectively compared with 2016. The main reason was setting up a receivables write-down in 2016 of the value of interest in the subsidiary CRF of PLN 3,922 thousand.

EBITDA for 2017 amounted to PLN 42,133 thousand which was a 3% drop compared with the prior year.

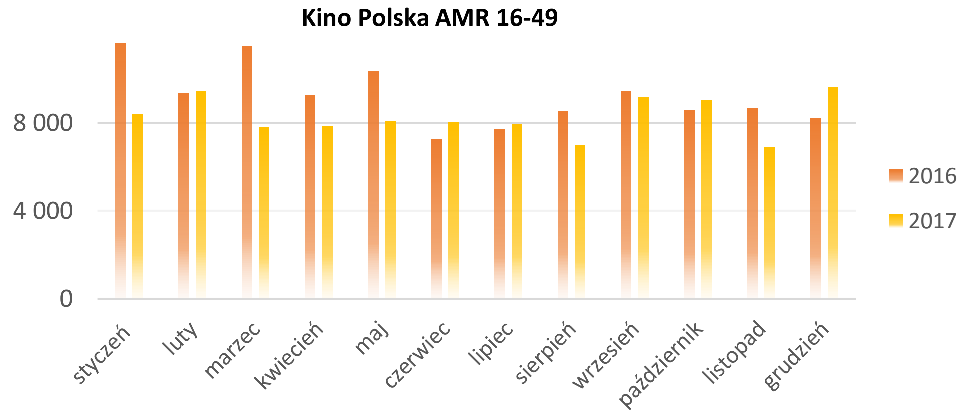
11.2 Audience ratings[7]

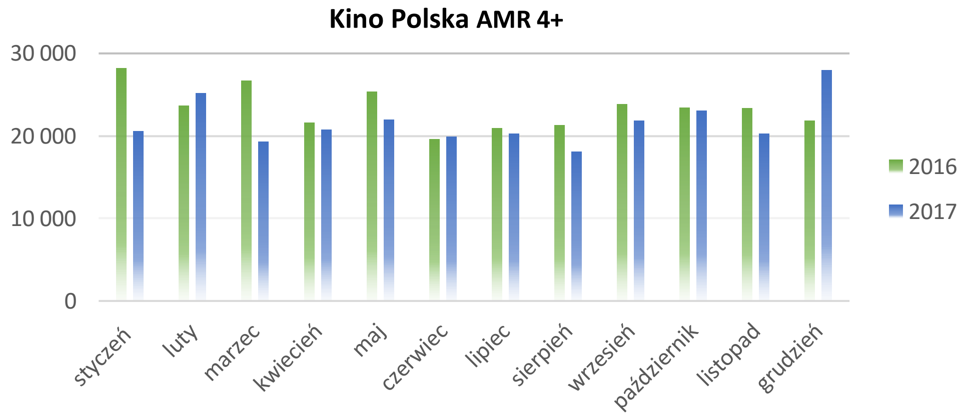
As at the end of 2017 Kino Polska TV S.A. was the eighth largest television group in Poland with a 1.99% audience share on average (AMR 16–49 in December 2017, taking into account the terrestrial channel Stopklatka TV).

The graphs below show the audience ratings of the Telewizja Kino Polska, Kino Polska Muzyka and FilmBox (Basic) channels in 2017 and 2016.

[Diagram: January; February; March; April; May; June; July' August; September; October; November; December]

[7] Source: NAM

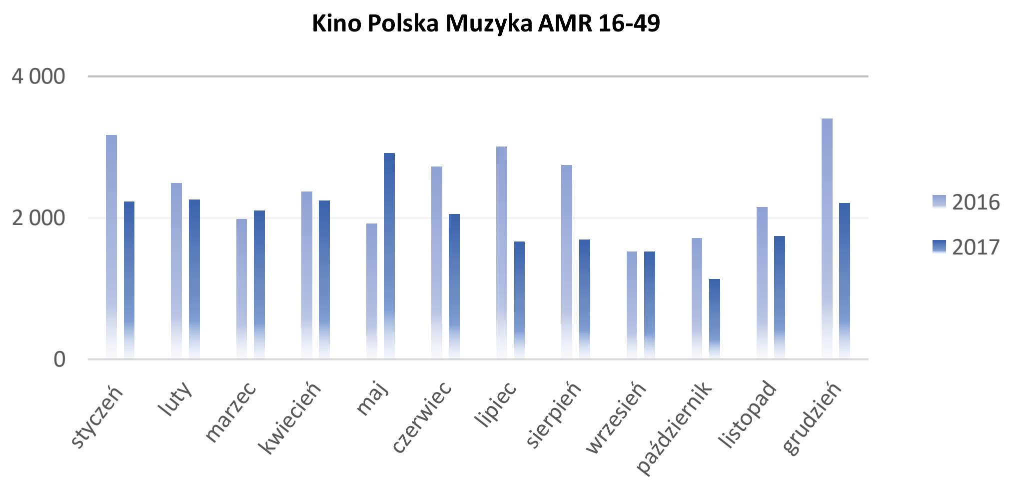


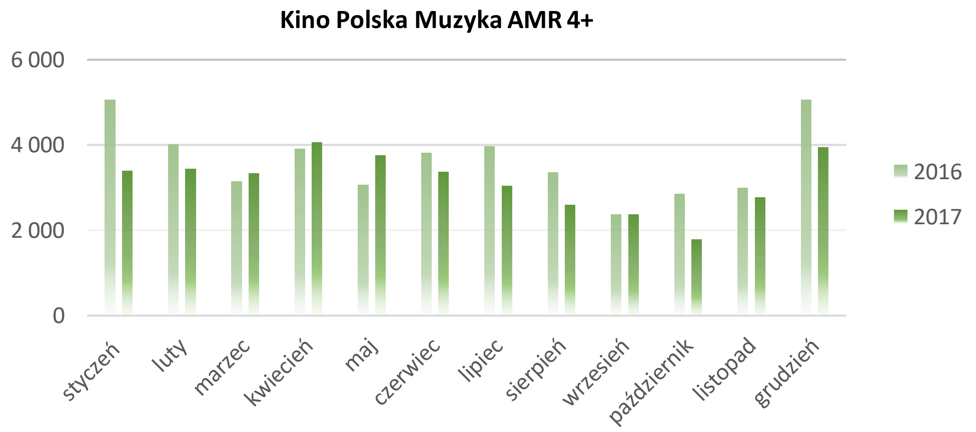


[Diagram: January; February; March; April; May; June; July' August; September; October; November; December]

In 2017 the Telewizja Kino Polska channel was viewed on average (AMR 4+) by more than 21,582 thousand viewers, 7% more than in 2016. This gave the channel a 0.34% share in the total audience (SHR) both in the 4+ group and in the commercial audience group (16–49).

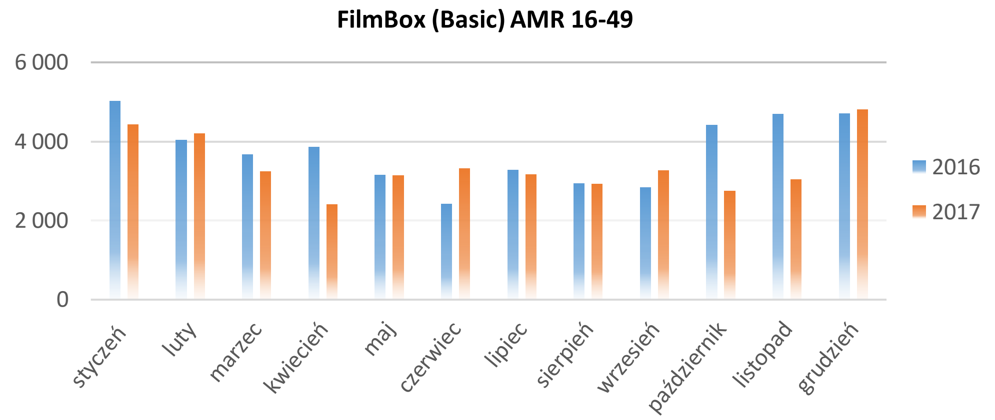
[Diagram: January; February; March; April; May; June; July' August; September; October; November; December]



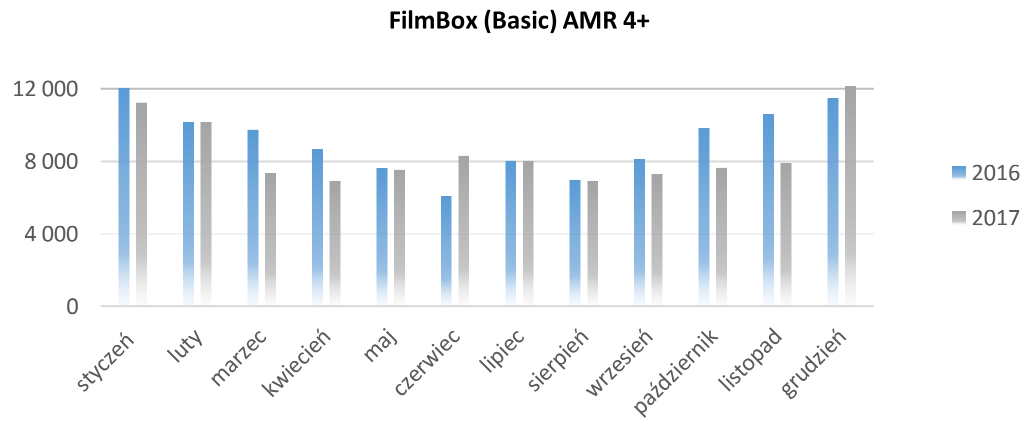


[Diagram: January; February; March; April; May; June; July' August; September; October; November; December]

The music channel Kino Polska Muzyka was viewed on average (AMR 4+) by more than 3,153 thousand viewers in 2017. The channel's share in the 16–49 group viewers was 0.08% in that period.



[Diagram: January; February; March; April; May; June; July' August; September; October; November; December]



The FilmBox channel noted a 0.14% share in the commercial audience group (16–49) and an average minute rating (AMR 4+) of over 8,431 thousand viewers in 2017.

Zoom TV

In 2017 the terrestrial Zoom TV channel noted a 0.23% share in the commercial audience. In December 2017 the channel achieved a 0.32% share in the television market (SHR%, All 4+), which constituted the highest value on 2017 and was at the same time the best result among all channels broadcasting from multiplex eight (MUX-8).

A detailed analysis of the results shows that the Zoom TV programme offer has great potential for building up an audience. The results of the channel would be better still had the actual reach of MUX-8 increased, and had the audience retuned their TVs or decoders to receive through the multiplex. According to the AGB Nielsen agency only 45% of all Poles can receive the MUX-8 signal. Despite the difficulties related to the reach of multiplex eight, the Zoom TV channel is gradually increasing its audience. In January 2017 the average monthly viewership of Zoom TV in the commercial group (SHR 16–49) amounted to 0.15%, and in December 2016 it amounted to 0.33%. In the foreseeable future, the Issuer is expecting a further increase in viewership and an expansion of the real technical reach of MUX-8.

Zoom TV is available via the eighth multiplex in terrestrial television and in the offer of the key cable operators (such as UPC Polska, Vectra, Netia, Multimedia Polska, Toya, Inea) and digital satellite platforms (Cyfrowy Polsat, nc+, Orange).

12. Description of material risk factors and threats related to the Issuer's operations

Risk of loss of concession/not obtaining an extension of concession after the end of its term

The operations of Kino Polska TV S.A. in the area of Telewizja Kino Polska production and distribution is based on the concession No. 238/K/2013-T for the satellite coded terrestrial broadcast of the channel "Telewizja Kino Polska". The term of the concession ends on 17 December 2023.

Kino Polska TV S.A. also holds the following concessions:

- No. 489/2011-T for the program "Kino Polska Muzyka", which expires on 6 December 2021.
- No. 540/2013-T for the program "Kino Polska International", which expires on 15 October 2023.
- No. 541/2013-T for the program "Kino Polska International", which expires on 15 October 2023.

There is a risk that potential non-compliance with the terms of the concession, in particular in respect of the programming content or the maximum advertising broadcast time, or permanent discontinuation of broadcasting the program may lead to KRRiT imposing sanctions (call to repair the violations, monetary penalties of up to 50% of the annual fee for the use of the frequency or up to 10% of the broadcaster's revenue for the previous fiscal year, or losing the concession). The risk that KRRiT will refuse to re-grant the concessions to Kino Polska TV S.A. after the period for which they have been initially granted or that the terms of the re-granted concessions (or concession-related contracts, such as the lease of a transponder or broadcasting services) will be less favourable from the Issuer's perspective than the current ones, cannot be eliminated.

Risk of non-extension of cooperation contracts with cable and digital operators

The Company's revenue consists mainly of the fees paid by operators of cable TV and digital satellite platforms for re-broadcasting TV programs produced/distributed by Kino Polska TV S.A.

The Company signed agreements for re-broadcasting the Telewizja Kino Polska program with all operators of digital satellite platforms and with most operators of cable TVs, including all of the largest ones (UPC, Multimedia Polska, Vectra, Toya, Inea); the largest operators cover approx. 75% of all cable TV subscribers in Poland. Additionally, the station is available in the international version ("Kino Polska International") in the USA via the Dish Network platform. The Issuer also signed agreements for the distribution of the FilmBox program with all operators of satellite platforms and most cable TV operators. The Issuer also signed agreements for the distribution of the FilmBox Premium program package with all operators of satellite platforms and over 100 cable TV operators, including all the largest ones (UPC, Multimedia Polska, Vectra, Toya, Inea). Kino Polska Muzyka is available in offers of selected cable operators (such as UPC Polska, Multimedia Polska, Vectra, Toya, Inea) and the nc+ platform. Additionally, the station is available in the international version ("Kino Polska Muzyka International") in the USA via the Dish Network platform.

Part of the agreements with operators provide for flat-rate revenues, and part determine revenues based on the actual number of subscribers in a given month.

The agreements with the key operators are concluded:

- for one to three years, with the option of giving termination notice three months before the end of the term of the initial agreement at the earliest, and if the agreement is not terminated, it is automatically extended for a consecutive specified period;
- for an unspecified period, usually with a three months' notice period.

The risk of termination of the agreements or non-extension of one or more agreements by the operators cannot be eliminated. Termination or non-extension of an agreement, in particular by an operator who has many subscribers, would have a significant negative impact on the revenue and results of Kino Polska TV S.A. The Company is trying to mitigate the above risk by creating an attractive program offer for particular channels and negotiating appropriate provisions in the agreements, including the termination and extension conditions.

Business model risk

In the years 2003-2008 the Issuer's operations concentrated on promoting Telewizja Kino Polska, a channel specializing in films, additionally narrowed down to exclusively Polish films or films with the participation of Polish directors, actors, scriptwriters, etc. The options for increasing revenues and operating results based on such a niche product relatively quickly meet the barrier of market saturation. In 2009 the Issuer decided to decidedly expand its product mix (and thus also its operating market), introducing the distribution and production of TV programs with a film profile intended for other market niches (FilmBox and FilmBox Premium package). In 2011 the Group's portfolio was expanded by a music channel – Kino Polska Muzyka. Currently Kino Polska TV S.A. also produces and distributes Kino Polska International and Kino Polska Muzyka International channels. The risk of non-compliance of the Issuer's program offer with the changing viewer expectations, or of the inability to introduce new attractive products to the offer as the current markets become saturated cannot be eliminated.

To minimize this risk, as of 2012 the Company has been systematically increasing its presence in new media, among other things using the mobile application FilmBox Live, the presence of Telewizja Kino Polska in Mobile TV of Cyfrowy Polsat, and the availability of the following channels: Telewizja Kino Polska, FilmBox and FightBox in live Internet television Orange Tu i Tam.

Additionally, on 27 November 2013 the Issuer acquired 100% shares in Filmbox International Ltd. This enabled the Kino Polska TV S.A. Group to control activities related to the production and distribution of FilmBox film channels on a global scale.

The Issue is constantly expanding its program offer. The Company is the co-owner (alongside Agora S.A.) of Stopklatka S.A., the broadcaster of the first free-of-charge film channel in Poland – Stopklatka TV, which has been broadcast since 2014. In 2016 another terrestrial television channel was added to the Group's portfolio– Zoom TV, which is broadcast by the Issuer's subsidiary – Cable Television Networks & Partners sp. z o.o.

The Company engages in operations in those markets where the commercial success depends on factors difficult to predict, such as viewer satisfaction and acceptance of programming content. Viewer satisfaction with the program offer is of key importance for the possibility of acquiring and retaining customers, as well as achieving and increasing subscription revenues. The ability to generate advertising revenues depends on the viewers' demand for the programs broadcast by the Issuer. Thus, the audience rating of the programs broadcast by the Company has a direct impact on the attractiveness of the television channels for the current and potential advertisers and on the fees the Issuer may earn on the broadcasting of advertising spots.

Demand for television channels is subject to frequent changes. The Company may be unable to acquire and retain customers if it does not effectively forecast the demand for programs or changes in tastes with respect to program content or if the Issuer's competitors manage to forecast such demand or change in tastes more effectively. This, in effect, may lead to an increase in the customer churn rate and a drop in viewership, and – as a result – difficulties in acquiring advertisers. In consequence, if the program offer of Kino Polska TV S.A. is not accepted or if it does not manage to acquire rights to broadcast programs/films, it may have a significant unfavourable impact on its results, financial position and development prospects. The Company is trying to mitigate this risk by preparing an attractive program offer for its viewers.

Risk of interruptions in the transmission of television signal

The risk related to interruptions in the transmission of the TV signal is a typical and characteristic element of the operations of all TV broadcasters. The Company provides its customers, operators of cable television and of digital satellite platforms mainly with a signal which transmits the Issuer's television programs via a satellite. The satellite signal for each of the channels is encoded. The technical service necessary for the signal transmission of the Issuer's channels was outsourced to specialized entities.

There is a risk, however, that despite the signed agreements and the application of technological solutions, an interruption mat occur in receiving the Issuer's one or many channels by the operators, or by end viewers, especially in the event of the defective functioning or damage to devices or fibre optic networks, or in the event of force majeure (e.g. natural disasters). The above-described factors may have a significant adverse impact on the development prospects, the achieved results and the financial standing of Kino Polska TV S.A.

The Company tries to minimize the risk of interruptions in transmitting the television signal. The devices used to produce and broadcast the Issuer's television channels are equipped with a number of security devices to minimize the risk of occurrence and the consequences of potential malfunction.

Risk of loss of managers and key personnel

The operations and development of the Company are contingent on the knowledge and experience of the managers and employees. Conducting this type of activity requires well-qualified senior managers. Loss or lack of possibility to find qualified staff for key posts may have a significant adverse impact on the operating activity or development prospects of the Issuer.

The operations of Kino Polska TV S.A. in the media industry require acquiring and retaining employees with a specific educational background and experience, whose supply on the Polish market is relatively limited. Additionally, media industry enterprises and holdings on the Polish market, due to the scale of their operations, generate demand for such employees (in particular, for specialists dealing with technical services and preparation of programs) and are in the position to offer more favourable conditions of employment.

Consequently, the risk of difficulty in finding or retaining employees necessary to run the operations cannot be eliminated. The Issuer is trying to mitigate the risk of losing management and key employees by offering them attractive remuneration.

Risk of increase in costs of external services

The specific nature of the Company's operations leads to a substantial share of third party services in operating expenses.

External services comprise licence and distribution fees, fees for specialist services regarding the production and distribution of television programs, and fees for various kinds of typical services provided to the business. The risk that the trade conditions for the purchase of one or many external services by the Company will deteriorate, especially of an increase in the costs of licenses or an increase in the cost of broadcasting of programs via a satellite, cannot be eliminated.

To mitigate this risk the Company monitors the terms and conditions following from the contracts concluded on a current basis and analyses available market options and negotiates contract terms.

Risk of the key shareholder dominating the Company's operations

SPI International B.V. holds shares which constitute 65.15% of all shares and votes at the General Shareholders' Meeting of the Issuer. The risk that the interests and operations of the key shareholder may not be in line with those of minority shareholders cannot be eliminated. In particular, it is not possible to eliminate the risk that the key shareholder may take a decision to change the sequence of pursuit of the Group's strategic goals, or to change the strategy itself, or to change the scope of operations of the Company. The risk that the key shareholder will exert decisive influence on the Issuer's decisions, including decisions on the content of the resolutions passed by the General Shareholders' Meeting cannot be eliminated.

Risk related to distribution and production agreements for the FilmBox programs

Since 2009, the Issuer has been offering new services which rapidly gained an increasing share in the Issuer's revenues: production and distribution of FilmBox programs. In the years 2009–2010 the Company offered FilmBox channels to the operators of cable and satellite televisions based on a framework cooperation agreement concluded between the Issuer and SPI International Polska Sp. z o.o. (dated 17 December 2008) which concluded relevant agreements with the owners of individual concessions. Since 1 January 2011 the Issuer has distributed the channels of the FilmBox brand based on the agreement dated 1 September 2010 signed directly with the concession owner – SPI TV Ltd. (new name: Filmbox International Ltd.). This agreement was replaced by an agreement signed by and between the Issuer and Cinephil France S.A.S. on 30 September 2011. On 18 February 2014, a distribution agreement was concluded by and between the Issuer and Filmbox International Ltd. (the "FB Agreement"). Under the FB Agreement, Filmbox International Ltd. (a subsidiary of the Issuer) grants the Issuer a license (exclusively in the territory of Poland and non-exclusively in other countries throughout the world) for the rights to rebroadcast the movie channels of the FilmBox brand (to which Filmbox International Ltd. holds concessions), along with the possibility to sublicense them to cable and satellite operators, and to operators using other techniques of transmission and rebroadcast. The FB Agreement replaced, in the aforementioned scope, the distribution agreement concluded on 30 September 2011 by and between the Issuer and Cinephil France S.A.S., to which an annex was signed on 18 February 2014, limiting its provisions exclusively to the distribution by Kino Polska TV S.A. of topical channels such as: FASHIONBOX, FIGHTBOX, DOCUBOX, FASTNFUNBOX, 360TUNEBOX, EROX, EROXXX and the application FILMBOX LIVE.

Kino Polska TV S.A. also signed a production concluded on 1 September 2010 with SPI TV Ltd. (new name: Filmbox International Ltd.), concerning operations related to the preparation of the channels of the FilmBox brand. They entered into force on 1 January 2011.

The risk that the above agreements may not be extended for consecutive periods or that new, less favourable trade conditions may be negotiated, cannot be eliminated. Neither is it possible to eliminate the risk that for reasons beyond the Company's control, the concessionaire may lose one or more concessions, which would have a significant adverse effect on the results and the financial position of the Issuer.

To minimize these risks on 27 November 2013 Kino Polska TV S.A. became the owner of 100% interest in Filmbox International Ltd., a company which owns the Filmbox Group film channels.

13. Description of material risk factors and threats related to the Company's environment

Risk of competition

The Issuer operates on a highly competitive market with many film television channels competing for end receivers which broadcast in Polish and foreign languages, either in Regular or High Definition and offering a variety of films and television programs produced in Poland, the U.S.A, Europe or elsewhere.

Additionally, the Company's offer competes against a number of broadcasters of general television channels or those that do not offer films. This is especially noticeable in the offer of cable television operators, where the finite capacity of a cable connection limits the offer to several dozen channels, which entails a regular exchange of the least interesting channels in the offer. The end receiver's interest can also be determined by the conditions created by the operator that can be influenced by the Company to only a negligible extent, among other the offer structure of basic and additional television channels, contents of the packages compared to their prices and to competitors' offers, signal availability, offered set-top-boxes, etc. The channels distributed via the free terrestrial television also constitute a significant competition for the programs offered by the Company. As a result of finalizing the process of digitalization of terrestrial television in Poland in July 2013, currently twenty-four television channels are distributed terrestrially. Multiplex eight is another DVB-T terrestrial digital television channel network which was launched in Poland. Ultimately, the new multiplex will include seven standard definition channels (three channels of Telewizja Polska and four of commercial broadcasters) or six channels, including one high-definition (two SD channels and one HD channel of Telewizja Polska, and four SD channels of commercial broadcasters). As at the balance sheet date Telewizja Polska has not as yet decided as which programs to broadcast via MUX8. In November 2015 the National Broadcasting Council granted four concessions for terrestrial broadcasting through multiplex eight. At the end of 2016 four commercial broadcasters were already broadcasting through MUX8. Therefore, the Company has to compete with new market participants. Plans for setting up another multiplex cannot be eliminated either. This would result in a further increase in the number of competitors.

The Issuer seeks to maintain an attractive program offer of its channels; however, the risk that in spite of this, competition in the segment of film programs or in the entire media industry will intensify cannot be eliminated, and that could cause a drop in viewership of the Company's programmes and consequently adversely affect its financial standing.

Risk of macroeconomic conditions and the condition of households

The level of the Company's revenues depends on the well-being of Polish citizens (especially the inhabitants of big cities) which alters depending on the economic conditions, including: dynamics of economic growth, level of unemployment, individual consumption, consumers' optimism ratios, EUR / PLN exchange rate and the State's fiscal policy. There is a risk that in the case of protracted impairment or deterioration of the market conditions, the demand for the services offered by the Issuer may decrease, which may adversely impact its development and financial standing.

The Company's revenues are also derived from television advertisers, through the distributed channels (in Poland). The drop in advertising expenses may have a negative impact on the level of the Issuer's revenues and its development perspectives. The drop in the rate of growth in Gross Domestic Product usually leads to a reduction in advertising spending. The drop in advertising revenues may lead to a necessity to adapt the costs incurred by the Company to reduced revenues. As adapting costs to the current market conditions usually does not fully offset the drop in revenues, in consequence, the EBITDA margin may drop and the quality of the programmes broadcast by the Issuer may deteriorate or their number may be limited. All qualitative or quantitative reductions in the program offer may lead to a loss in the viewership share on behalf of the competition and alternative forms of leisure and entertainment, which in turn may reduce the Company's attractiveness for potential advertisers.

The financial standing of Kino Polska TV S.A. is also affected by many factors related to the domestic and global economic situation. Both economic factors – including decline in Gross Domestic Product, rising inflation and interest rates, a decline in consumer spending, foreign exchange fluctuations as well as legal factors – including the deterioration of regulatory conditions for business operations in Poland may have a negative impact on the financial standing of the Company and its prospects. Therefore, deterioration in macroeconomic conditions in Poland or globally may have a negative impact on the financial position, results and prospects of the Issuer.

Risk of claims in respect of infringing intellectual property rights

The operations conducted by the Company are based primarily on using intellectual property rights and on concluded licence agreements. The Company is convinced it does not infringe any intellectual property of third parties in its operations. However, the Company may not eliminate the possibility that it might involuntarily breach such rights. Consequently, claims could be made in this respect, as a result of which the Company could be obliged to pay appropriate compensation. This could adversely impact the Issuer's financial standing and its development prospects.

Risk of volatility of legal regulations, in particular those regulating the operations of the Company

Due to the fact that the Polish legal system is subject to frequent changes, they may have a negative impact on the operations of Kino Polska TV S.A. and entail serious business risks. In particular, the operations of the Company may be affected by changes in the law governing the business activities, including the Broadcasting Act and the respective secondary legislation, the Copyright Act, and EU regulations concerning the functioning of the organization of collective management of copyright, as well as changing legislation governing the operations of the capital market in Poland.

The new legal regulations may potentially pose some risk related to interpretation issues, lack of history of relevant court decisions, unfavourable interpretations adopted by courts or public administration bodies, etc. Additionally, the tax system in Poland is characterized by high volatility. Possible changes to business taxation, both in terms of income tax, VAT and other taxes, may have an adverse effect on the operations and the level of income of Kino Polska TV S.A. The Company is also exposed to the risk of possible changes of interpretations of the provisions of the tax law published by tax authorities, which may influence the Company's operating activity and financial standing.

In order to minimize this risk, the Issuer is working with a consulting company and holds the necessary insurance. In addition, the employees and associates of Kino Polska TV S.A. participate in training/workshops on current changes in the law governing the operations of the Issuer.

Foreign exchange risk

Kino Polska TV S.A. incurs the costs of broadcasting services and other ancillary services for each of the television programs in the currency generally accepted for this type of agreement, among others, in the EUR. Additionally, the Company incurs part of the costs related to purchasing program licences in US dollars. Thus, the amount of particular costs of the Issuer is exposed to foreign exchange risk. Any significant weakening of the zloty against the euro or the dollar could reduce the Company's profitability. To minimize this risk, the Company has foreign currency current accounts, based on which transactions in foreign currencies are settled and foreign currency inflows and outflows are monitored on a current basis.

The above-described factor may have a significant adverse impact on the Company's development prospects, the achieved results and its financial standing.

Further details of the Company's financial risks and the way of managing them are presented in Note 5.10.3 to the Separate Financial Statements of Kino Polska TV S.A. for the year ended 31 December 2016.

Risk of administrative penalties being imposed on the Issuer by the Polish Financial Supervision Authority for incorrect performance of information duties

The Polish Financial Supervision Authority (PFSA) as the supervisory body for public companies may also impose administrative sanctions (also covering pecuniary penalties) for incorrect performance of information duties stipulated in the Act on public offerings and in the Act on trading in financial instruments. Those penalties may have a significant impact on the Issuer's financial position.

Additionally, as of 3 July 2016, companies quoted on the regulated market and in alternative trading systems are obliged to apply directly the Regulation of the European Parliament and of the Council of 16 April 2014 on market abuse, and the scope of their responsibilities is specified in the Directive of the European Parliament and of the Council of 16 April 2014 No. 2014/57/UE on criminal sanctions for market abuse. Entry into force of the regulations referred to above relates not only to the expansion of the list of events constituting a violation of information duties, but also leads to increasing penalties which as a result of such a violation may be imposed on public companies.

The Issuer is trying to diligently perform the information duties imposed on it. For this purpose it participates in conferences (organized – among others – by the Warsaw Stock Exchange and the PFSA) and in training aimed at updating knowledge on the binding regulations. The Company also cooperates in this regard with a law firm.

14. Indication of litigation pending before the court, the appropriate arbitration body or the public administration body, in consideration of the information on: litigation relating to the Issuer's or its subsidiaries' liabilities or receivables the amount of which constitute at least 10% of the Issuer's equity

In the reporting period and after its completion, no proceedings were pending in respect of the Issuer before the court, an appropriate arbitration body or any public administration body which would meet the above criteria, both individually or jointly in respect of two or more proceedings.

15. Key products, goods for resale and services

The Company's core products and services comprise:

- Telewizja Kino Polska which draws upon the long-standing heritage of Polish film, valuable for all age groups, and which is the Issuer's core product. The unique formula of the TV station places it high in the viewer rankings of topical channels in Poland. This channel presents the classic films and invites the audience to rediscover them. Telewizja Kino Polska sells advertising time. The channel operates based on concession No. 238/K/2013-T. The Company signed agreements for re-broadcasting the Telewizja Kino Polska programming with all the operators of digital satellite platforms and with most operators of cable TVs, including all of the largest ones (UPC Polska, Vectra, Multimedia Polska, Inea, Toya; the largest operators cover approx. 75% of cable television audiences). Telewizja Kino Polska is also available in TV Mobilna of Cyfrowy Polsat, live Internet television Orange Tu i Tam and in the FilmBox Live package.
- The television channel Kino Polska Muzyka – the only station in the world which broadcasts exclusively Polish music. Apart from cult music videos, unforgettable concerts and golden hits of the greatest Polish stars it also broadcasts show hits and interesting archival programs. As of January 2012 Kino Polska Muzyka has been selling advertising time. The channel operates based on concession No. 489/2011-T. Kino Polska Muzyka is available in offers of cable operators (such as UPC Polska, Multimedia Polska, Vectra, Toya,

Inea) and the nc+ and Cyfrowy Polsat platforms. Kino Polska Muzyka is also offered as one of the FilmBox Live channels. Additionally, the station is available in the international version in the USA via the Dish Network platform.

- The Kino Polska International television channel – a channel which is to continue the program mission of Telewizja Kino Polska. The channel is broadcast in the Polish language. It is mainly addressed to Poles living outside Poland. The channel is available in the USA via the Dish Network platform.
- The television channel FilmBox and the FilmBox Premium package – television stations featuring films, presenting feature films and documentaries from all over the world divided into categories by type, band and topical cycles. The Issuer signed agreements for the distribution of the FilmBox program with all satellite operators and with most of the cable television operators, including all the largest ones (UPC Polska, Multimedia Polska, Vectra, Toya, Inea). The Issuer also signed agreements for the distribution of the FilmBox Premium program package with all operators of satellite platforms and over 100 cable TV operators, including all the largest ones.

Kino Polska TV S.A. produces and distributes FilmBox family channel films based on agreements concluded with Filmbox International Ltd. (concession holder and distributor of film channels), and topical channels on the basis of agreement concluded with Mediabox Broadcasting International Ltd. (holder of the concession for topical channels) and Cinephil France S.A.S. (distributor of topical channels).

The Company's other activities also include:

- broadcasting and producing television channels Kino Polska, Kino Polska Muzyka, FilmBox, and topical channels (and sales of advertising time);
- production of TV channels; and
- sales of licence rights.

Additionally, in Note 5.3 to the Issuer's Separate Financial Statements for the year ended 31 December 2017 the Company's revenues are shown broken down by basic operating segments.

16. Information on sales markets, in consideration of the break-down into domestic and foreign markets, and information on the sources of supply with materials for products, with goods and services, determining reliance on one or more customers and suppliers, and in the event of one customer or supplier having a share of at least 10% of total sales revenues – the name of the supplier or customer, its share in sales or purchases and its formal relationship with the Issuer

Key customers

The main recipients of the Issuer's products are cable television operators and operators of digital satellite platforms who make the signal from the channels produced by the Company available to their subscribers (households).

The other recipients of the services provided by the Issuer in 2017 include:

- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k.;
- other television broadcasters who acquire rights to broadcast films owned by Kino Polska TV S.A.;
- video on demand operators;
- individuals (purchasers of DVDs) via a distribution company.

The Company's key market in 2017 was the domestic market which was responsible for approx. 65% of the Company's total sales revenue. The Issuer's other revenue was generated based on the foreign market.

2017	*Poland*	*European Union*	*Other*	*Total*
Total revenue (in PLN '000)	74,616	38,638	809	114,063

The key customers whose share in the Issuer's sales in 2017 was at least 10%:

- Filmbox International Ltd. – 28% of total sales revenue;
- Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. – 16% of total sales revenue;
- ITI Neovision S.A.– 11% of total sales revenue.

The Issuer is the sole shareholder in Filmbox International Ltd. with which it concludes transactions on an arm's length basis. The Issuer's relationship with other entities is commercial.

Key suppliers

The suppliers whose share was at least 10% of the Issuer's total revenues in 2017:

- Filmbox International Ltd. – 36% of total sales revenue.

The Company is the sole shareholder in Filmbox International Ltd. and has a cooperation agreement with this entity.

17. Information on contracts significant to the Issuer's operations, including contracts concluded by and between the shareholders of which the Issuer is aware, insurance contracts, and cooperation contracts

Agreement for the purchase of shares in Cable Television Networks & Partners sp. z o.o.

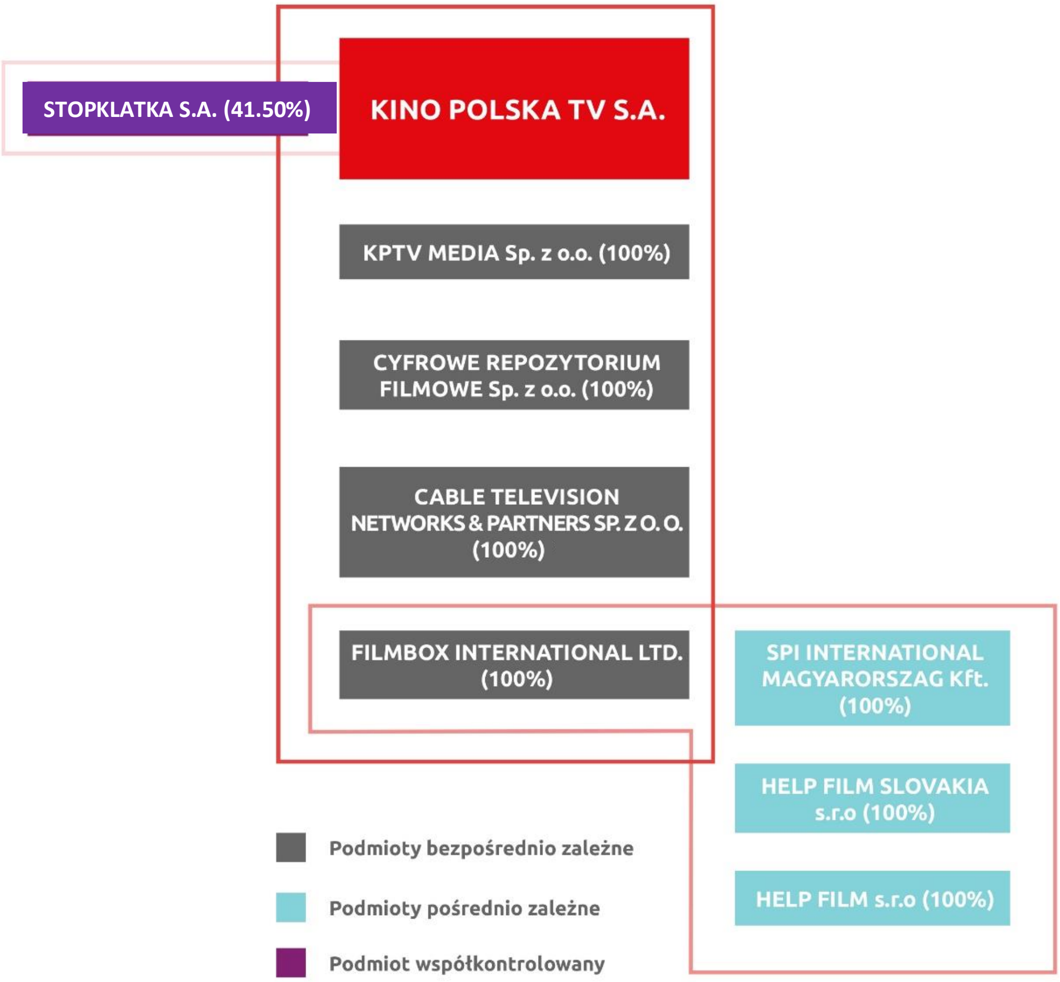
On 22 March 2017 Kino Polska TV S.A. purchased from its subsidiary – KPTV Media Sp. z o.o. ("KPTV Media") 164 shares in Cable Television Networks & Partners sp. z o.o. ("CTN&P"), which constitute a 21% interest in that company's share capital, for a total price ("Selling Price") of PLN 10,000,000.00 (in words: ten million zlotys).

In connection with the transaction the Issuer held (directly) 549 shares in CTN&P, which is 70% of the total interest in the company. The transaction was an intercompany transaction and was performed to simplify the ownership structure of CTN&P. (Current Report No. 5/2017).

On 23 January 2018 the Management Board of "Kino Polska TV" S.A. informed that it purchased 236 shares in Cable Television Networks & Partners sp. z o.o. ("CTN&P"), which constitute a 30% interest in that company's share capital, for a total price of PLN 10,000,000 (in words: ten million zlotys). Currently the Issuer holds 100% shares in the share capital of CTN&P. (Current Report No. 2/2018).

18. Information on the Issuer's organizational or equity relationships with other entities and determining its main investments in Poland and abroad (securities, financial instruments, intangible assets and real estate), including equity instruments made outside the group of related entities and a description of the methods of financing them

Kino Polska TV S.A. is related in terms of equity to its subsidiaries and jointly controlled entities.



[Diagram: Direct subsidiaries; Indirect subsidiaries; Jointly controlled entity]

A detailed composition of the shares held (directly and indirectly) by the Company as at 31 December 2017 has been shown in Note 5.1 to the Issuer's Separate Financial Statements for the year ended 31 December 2017.

Information on the composition of management bodies of the Issuer's subsidiaries and companies under the joint control of the Issuer as at 31 December 2017:

Company name	*Composition of the Management Board*
Cyfrowe Repozytorium Filmowe Sp. z o.o.	Martyna Korablewska-Szpetmańska – President of the Management Board
KPTV Media Sp. z o.o.	Marcin Kowalski – President of the Management Board
Cable Television Networks & Partners sp. z o.o.	Ewa Michalska – President of the Management Board Bogusław Kisielewski – 1st Vice President of the Management Board Marcin Kowalski – 2nd Vice President of the Management Board
Stopklatka S.A.	Bogusław Kisielewski – President of the Management Board Agnieszka Sadowska – Board Member
Filmbox International Ltd.	Berk Uziyel – Director John Logan – Director

Information on the composition of management bodies of the Issuer's subsidiaries and companies under the joint control of the Issuer as at the date of publication of this Report:

Company name	*Composition of the Management Board*
Cyfrowe Repozytorium Filmowe Sp. z o.o.	Martyna Korablewska-Szpetmańska –President of the Management Board
KPTV Media Sp. z o.o.	Marcin Kowalski – President of the Management Board
Cable Television Networks & Partners sp. z o.o.	Ewa Michalska – President of the Management Board Bogusław Kisielewski – 1st Vice President of the Management Board Marcin Kowalski – 2nd Vice President of the Management Board
Stopklatka S.A.	Bogusław Kisielewski – President of the Management Board Agnieszka Sadowska – Board Member
Filmbox International Ltd.	Berk Uziyel – Director John Logan – Director

19. Information on significant transactions concluded by the Issuer or its subsidiaries with related entities on conditions other than arm's length

In 2017 Kino Polska TV S.A. and its subsidiaries did not conclude material transactions with related entities on conditions other than arm's length.

20. Information on loan agreements concluded and terminated in the given financial year, giving at least their amounts, type and amount of interest rate, currency and maturity dates

On 8 June 2016 the Issuer signed a MultiLinia agreement with Bank Zachodni WBK S.A. Based on the Agreement, the Bank undertook to provide services to the Company in the form of a bank overdraft designated for financing the ongoing business operations of the Issuer and a guarantee line of up to the total amount of PLN 30,000.00 thousand. Within the above-mentioned amount, the guarantee limit was set at PLN 1,000.00 thousand (details below):

Financing entity	*Currency*	*Loan/limit level*	*Loan balance as at 31 December 2017 (in PLN'000)*	*Interest terms*	*Repayment date*
BZ WBK S.A.	PLN	up to PLN 30 million	13,658	1M WIBOR + bank's margin	08/06/2018
Total loans			**13,658**		

21. Details of loans granted during the financial year, in particular, loans granted to the Issuer's related entities, giving at least their amount, type and amount of interest rate, currency and maturity date

In 2017 Kino Polska TV S.A. granted a borrowing of PLN 9,950 thousand to Cable Television Networks & Partners sp. z o.o. The loan bears an interest rate based on 3M WIBOR plus 2.3% p.p. The loan is to be repaid after 12 months of the date of disbursement of the given tranche.

Moreover, in 2017, by way of annexes, Kino Polska TV S.A. extended the repayment periods of the borrowings granted in the previous periods to Cyfrowe Repozytorium Filmowe Sp. z o.o. to 15 December 2018 and to Stopklatka S.A. to 28 February 2018. Interest on the above borrowings was set at 3M WIBOR +1.5%.

On 20 February 2018 the Company signed an annexe to the borrowing agreements with Stopklatka S.A. extending the repayment period to 31 March 2018.

22. Information on warranties and guarantees granted and received in the given financial year, in particular warranties and guarantees granted to the Issuer's related entities

In the period covered by the Report the Company did not grant or receive any warranties or guarantees.

23. Description of the Issuer's use of proceeds from securities issued in the period covered by the report to the date of the Directors' Report – in respect of securities issued in the period covered by the report

In the period covered by the report the Company did not issue any securities.

24. Explanation of differences between the financial results shown in the Annual Report and the forecasts of the results for the year published previously

The Company did not publish forecasts of its results for 2017.

25. Assessment, with justification, of the management of financial resources, in particular, the ability to meet liabilities, and determination of potential threats and actions taken or intended to be taken by the Issuer to counteract those threats

The management of Kino Polska TV S.A.'s financial resources lies within the competencies of the Management Board of the Company. In the opinion of the Issuer, funds are managed in a rational and effective manner. The decisions taken by the Management Board, both relating to the Company's operations and to its finances, are preceded by an analysis of potential benefits and threats.

Kino Polska TV S.A. meets its financial liabilities on a current basis and is not at risk of losing its liquidity. As at 31 December 2017 the Company's cash and cash equivalents amounted to PLN 274 thousand.

26. Assessment of the feasibility of investment plans, including investments in other companies, relative to the financial resources held, taking into account possible changes in the structure of financing of investing activities

In accordance with its operating plans, Kino Polska TV S.A. intends to invest in programming assets on an on-going basis. If necessary, the Issuer will use a bank overdraft facility. The cash held, funds generated on current operations and available under the overdraft facility should suffice to finance future needs, both those related to on-going operations, and those related to the Company's planned projects.

Kino Polska TV S.A. does not eliminate the possibility of other investments if an attractive offer arises. In such an instance, depending on the scale of the projects, the Issuer will consider the possibility of using alternative sources of finance.

27. Assessment of factors and unusual events affecting the results for the financial year determining the degree of impact of those factors or unusual events on the results achieved

Factors with an impact on the Issuer's results are described in Notes 5 and 11 to the Directors' Report for 2017.

28. Description of external and internal factors material to the Issuer's development and description of the Issuer's development prospects at least until the end of the financial year following the year for which the financial statements included in the Annual Report have been prepared, in consideration of elements of the developed market strategy

The Issuer's development depends on many internal and external factors.

External factors include the macroeconomic conditions in Poland, developments in market competition, change in the level of advertising expenditure, change in television viewers' channel preferences and change in legal regulations to which the Issuer is subject.

Internal factors include, among other things, the risk of not being granted concessions for broadcasting a channel after the previous one expires, cooperation with cable and satellite television operators and with other material counterparties, access to attractive content and controlling whether the broadcast content complies with concession requirements.

The Issuer's prospects are described in Note 3 to the Directors' Report for 2017.

29. Changes in basic principles for managing the Issuer's business and its Group

In 2017 no significant changes were noted in the basic principles of risk management in the Company or its Group.

30. Information on all agreements concluded by the Issuer with managers, stipulating compensation in the event of their resignation or removal from the position held without an important reason or in the event of the Issuer's merger by acquisition

The Issuer did not conclude any agreements with managers which would stipulate compensation in the event of their resignation or removal from the position held without an important reason or in the event of the Issuer's merger by acquisition.

However, on the basis of resolutions of the Issuer's Supervisory Board, each member of the Management Board is entitled to twelve times the monthly net remuneration in the event of being removed from the function performed.

31. Information on remuneration, bonuses or benefits, including those resulting from incentive or bonus schemes based on the Issuer's capital, including plans of pre-emptive rights to bonds, convertible bonds, subscription warrants (in cash, in kind or in any other form), paid, payable or conditionally payable, to each of the Issuer's managers or supervisors, or members of the Issuer's administrative bodies in the Issuer's business, separately

Remuneration of the Members of the Management Board of Kino Polska TV S.A. received from the Issuer in 2017 was as follows:

	Due to appointment (in PLN'000)	*Due to employment contract (in PLN'000)*	*Due to bonuses, awards (in PLN'000)*	*Business activities (in PLN'000)*
Bogusław Kisielewski	506,268.00	33,015.78	156,268.50	-
Berk Uziyel	300,000.00	-	-	-
Marcin Kowalski	286,653.00	-	156,268.50	-
Alber Uziyel	120,000.00	-	-	-

Remuneration of the Members of the Management Board of Kino Polska TV S.A. received from the Issuer's subsidiaries or entities under the joint control of the Issuer in 2017 was as follows:

KPTV Media Sp. z o.o.

	Due to appointment (in PLN'000)	*Due to employment contract (in PLN'000)*	*Due to bonuses, awards (in PLN'000)*	*Business activities (in PLN'000)*
Marcin Kowalski	48,120.00	33,998.42	-	-

Stopklatka S.A.

	Due to appointment (in PLN'000)	*Due to employment contract (in PLN'000)*	*Due to bonuses, awards (in PLN'000)*	*Business activities (in PLN'000)*
Bogusław Kisielewski	252,858.00	-	-	-

Remuneration of the Supervisory Board received from the Issuer in 2016 was as follows:

Wages and salaries of the Supervisory Board	*Due to appointment (in PLN'000)*	*Due to employment contract (in PLN'000)*	*Due to bonuses, awards (in PLN'000)*	*Business activities (in PLN'000)*
Loni Farhi	4,000.00	-	-	-
Stacey Sobel	3,000.00	-	-	-
Piotr Orłowski	27,813.84	-	-	-
Piotr Reisch	4,000.00	-	-	-
Krzysztof Wójcik	52,928.55	-	-	-
Leszek Stypułkowski	53,957.02	-	-	-
Katarzyna Woźnicka	56,556.36	-	-	-

Stopklatka S.A.

	Due to appointment (in PLN'000)	*Due to employment contract (in PLN'000)*	*Due to bonuses, awards (in PLN'000)*	*Business activities (in PLN'000)*
Katarzyna Woźnicka	52,296.00	-	-	-

In 2017 Members of the Supervisory Board of Kino Polska TV S.A. did not receive benefits in kind from the Issuer.

In the period analysed Members of the Supervisory Board of Kino Polska TV S.A. did not receive remuneration or benefits in kind from the Issuer's subsidiaries or entities under the joint control of the Issuer.

32. Information on all pensions and similar benefits payable or to the Issuer's former managers or supervisors, or former members of the Issuer's administrative bodies and on liabilities drawn in relation to those pensions, indicating the total amount for each category of the bodies

Kino Polska TV S.A. does not have any liabilities resulting from pensions and similar benefits payable to former managers, supervisors or former members of its administrative bodies.

33. Total number and par value of all the Issuer's shares and shares in the Issuer's related entities held by the Issuer's management or supervisory board members.

Kino Polska TV S.A.

The number of shares in Kino Polska TV S.A. held by the Issuer's management or supervisory board members is as follows:

Name and last name	*Number of shares / nominal value in PLN*	*Number of votes*	*% share in the total number of votes*	*% share in share capital*
As at 22 March 2018				
Bogusław Kisielewski	143,465/ PLN 14,346.50	143,465	0.72%	0.72%
Piotr Reisch	675,932/ PLN 67,593.20	675,932	3.41%	3.41%

In accordance with the Issuer's best knowledge, no other persons who are members of the supervisory or management bodies of Kino Polska TV S.A. hold shares in the Company as at the date of this Report.

Stopklatka S.A.

The number of shares in Stopklatka TV S.A. held by persons managing and supervising the Issuer is as follows:

Name and surname	*Number of shares / nominal value in PLN*	*Number of votes*	*% share in the total number of votes*	*% share in share capital*
As at 16 March 2017				
Bogusław Kisielewski	427/ PLN 427.00	427	0.00%	0.00%

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no other persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in Stopklatka S.A.

Cyfrowe Repozytorium Filmowe Sp. z o.o.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in Cyfrowe Repozytorium Filmowe Sp. z o.o.

KPTV Media Sp. z o.o.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in KPTV Media Sp. z o.o.

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

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in CTN&P.

Filmbox International Ltd.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in Filmbox International Ltd.

Help Film s.r.o.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in Help Film s.r.o.

Help Film Slovakia s.r.o.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in Help Film Slovakia s.r.o.

SPI International Magyarorszag, Kft.

In accordance with the best knowledge of the Management Board of Kino Polska TV S.A., no persons who are members of the supervisory or management bodies of the Issuer as at the date of this Report hold shares in SPI International Magyarorszag, Kft.

34. Information on agreements of which the Issuer is aware (including also those concluded after the balance sheet date) as a result of which future changes may occur in the proportions of the shares held by the current shareholders and bondholders

The Issuer is not aware of any agreements which could result in future changes in the proportion of shares held by the existing shareholders or bondholders.

35. Information on the control system for employee share plans

There are no employee share plans in the Company.

36. Information on the date of conclusion of the contract for the audit or review of the financial statements or the consolidated financial statements by and between the Issuer and the registered audit company, and on the period for which the contract was concluded, the fee of the registered audit company paid or payable for the financial year, separately for: the audit of the annual financial statements, other assurance services, including a review of the financial statements, tax advisory services, other services

On 31 July 2017 Kino Polska TV S.A. concluded a contract with PricewaterhouseCoopers Sp. z o.o. covering the audit of the separate and consolidated financial statements for the period from 1 January 2017 to 31 December 2017 and for the period from 1 January 2018 to 31 December 2018, as well as for the review of the Issuer's separate and consolidated financial statements for the 1st half of 2017 and for the 1st half of 2018.

Information on the fee of the registered audit company:

	12 months ended 31 December 2017 (in PLN'000)	*12 months ended 31 December 2016 (in PLN'000)*
Audit of the annual financial statements	208	196
Review of semi-annual financial statements	84	72
Other services*	27	24
Total	**319**	**292**

*Other services comprise using the licence for the Myreporting software and access to the Inform platform.

37. Investor relations

Kino Polska TV S.A. emphasizes the importance of conducting efficient and transparent communication with the investors.

The Company publishes the current and periodic reports required by law. Additionally, in each quarter, meetings are organized with investors and analysts during which the Management Board presents results for the period and the most important achievements and plans of the Company. The Issuer publishes all the presentations from the said meetings on its website.

Apart from the indicated meetings presenting results, the Company's representatives regularly participate in meetings with investors and analysts organized, among others, by brokerage houses. The Issuer's Management Board also continues the good practice of organizing individual meetings with analysts.

The Issuer is aware that its corporate website is a very important source of information on its operations. Therefore, it diligently tries to ensure that the information presented there is updated and complete. In the INVESTOR RELATIONS tab all the published reports, annual financial results, information on General Shareholders' Meetings, information on monthly viewership of the Issuer's key channels and the presentations for investors and analysts referred to above are featured. The Company also publishes an English language version of its website.

II. INFORMATION ON CORPORATE GOVERNANCE

1. The Issuer's corporate governance principles and the place where the text of the set of the principles is publicly available

The Issuer's Management Board makes every effort to ensure all shareholders equal access to information on the Company. To ensure full transparency of Kino Polska TV S.A. from the moment of its achieving the status of a listed company a significant part of the best practices of quoted companies is applied in the Company. Since 22 March 2011 the Issuer has been publishing current reports and periodical reports which it also publishes on its corporate website. In 2017 the Company abided by the principles applicable to public companies, specified in the "Good Practices of Companies Listed on the WSE 2016". The principles are published on the website of the Warsaw Stock Exchange at::

https://static.gpw.pl/pub/files/PDF/inne/GPW_1015_17_DOBRE_PRAKTYKI_v2.pdf

Details of the practices included in the "Code of Good Practice for WSE Listed Companies 2016" and followed by the Company are presented on the Issuer's website at:
http://kinopolska.pl/relacjeinwestorskie/lad_korporacyjny

Editors of the channels produced by the Company comply with the professional standards generally accepted in the profession. The Media Ethics Charter is the foundation of their professional standards. In addition to that, the editors are also familiar with the Journalists' Code of Conduct, as published by the Association of Journalists of the Republic of Poland, and the Journalists' Code of Ethics of the Association of Polish Journalists, which are documents specifying desirable rules of conduct.

2. The extent to which the Issuer departed from the corporate governance principles referred to above, indication of the principles and explanation of the reasons for departure, as well as explanation how the company intends to remedy the consequences, if any, of its failure to apply a particular principle, or what steps it intends to take to mitigate the risk of its future failure to apply the principle

The extent to which the Issuer departed from the corporate governance principles specified in the "Code of Good Practice for WSE Listed Companies 2016", indication of the principles and explanation of the reasons for departure, as well as explanation how the Company intends to remedy the consequences, if any, of its failure to apply a particular principle, or what steps it intends to take to mitigate the risk of its future failure to apply the principle, are presented below.

I. Information policy and communication with investors

	COMMENTS
I.Z.1.3. a chart showing the division of duties and responsibilities among members of the management board drawn up according to Principle II.Z.1; (…)	*To date the division of duties and responsibilities among members of the Company's management board has not been formalized. However, the Company intends to prepare such a chart in the near future and adopt the principle.*
I.Z.1.10 financial projections – if the company has decided to publish them – published at least in the last 5 years, including information about the degree of their implementation; (…)	*The forecast of the results of operations of the Kino Polska TV S.A. Group for 2016 and the information about the degree of its implementation, prepared by the Issuer, were announced to the general public in reports published in the ESPI system, in compliance with the Decree of the Finance Minister on current and periodic reporting (...) of 19 February 2009. All current and periodic reports are available on the Company's website. The Company did not publish a forecast of its results of operations for 2017.*
I.Z.1.11. information about the content of the company's internal rule on changing the registered audit company or information about the absence of such a rule; (…)	*The Company does not publish information on its rule on changing the registered audit company or information on the absence of such a rule on its website. The appointment of a registered audit company and the change thereof is at the discretion of the Supervisory Board and it is not subject to any internal rules, only the statutory regulations, i.e. the Act on Registered Auditors. Nevertheless, the Company advised the Supervisory Board of the said principle.*

I.Z.1.15. information about the company's diversity policy applicable to the company's governing bodies and key managers; the description should cover the following elements of the diversity policy: gender, education, age, professional experience, and specify the goals of the diversity policy and its implementation in the reporting period; where the company has not drafted and implemented a diversity policy, it should publish an explanation of its decision on its website; (…)	*The Company has not drafted and implemented a formalized diversity policy. Nevertheless, in its current operations, it takes account of various diversity aspects, e.g. gender, education, age, professional experience, in its HR decisions. At the same time, the Company believes that it should have certain discretion in selecting its governing bodies and key managers.*
I.Z.1.16. information about the planned transmission of a general meeting, not later than 7 days before the date of the general meeting; (…)	*In the near future, this principle will not be applied by Kino Polska TV S.A. because the Company does not apply Principle I.Z.1.20. The Issuer will consider applying this Good Practice in the event of significant interest in the forms of remote communication with its shareholders indicated in Principle I.Z.1.20.*
I.Z.1.19 shareholders' questions asked to the management board pursuant to Article 428 §1 or §6 of the Commercial Companies Code together with answers of the management board to those questions, or a detailed explanation of the reasons why no answer is provided, pursuant to principle IV.Z.13; (…)	*The Company will abide by this Principle to the extent required by the generally applicable legislation, i.e. the Commercial Companies Code and the Decree of the Finance Minister on current and periodic reporting (....) of 19 February 2009. The Company will not publish questions asked during a general meeting and respective answers on its website because of the large number of questions asked, which are often unimportant. The Company does not keep detailed records (either written or electronic) of general meetings – notarized general meeting minutes may be the source of such information, which, however, do not include all the statements, questions and answers. Under the Commercial Companies Code and the General Meeting Regulations, general meeting participants are allowed to make statements in writing which are appended to the minutes. In the Company's opinion, these principles both ensure the transparency of general meetings and defend the Company against potential claims of those shareholders who do not wish for their image or statements to be published. As far as questions asked other than at a general meeting are*

	concerned, this Principle is a duplication of the duty stipulated in §38 sec. 1 item 12 of the Decree of the Finance Minister on current and periodic reporting (....) A report on the matter in question will be published on the website, under the Current Reports tab.
I.Z.1.20 an audio or video recording of a general meeting; (…)	*Currently, due to the existing legal limitations and reservations, the Company will not be recording general meetings in audio or video form. Nevertheless, if appropriate legal regulations are introduced which will enable the Company to record general meetings without the consent of its participants, the Company will apply the said principle.*

II. Management Board and Supervisory Board

PRINCIPLE II.Z.1. The internal division of responsibilities for individual areas of the company's activity among management board members should be clear and transparent, and a chart describing that division should be available on the company's website	*To date the division of duties and responsibilities among members of the Company's management board has not been formalized. However, the Company intends to prepare such a chart in the near future and adopt the principle.*
PRINCIPLE II.Z.6. The supervisory board shall identify any relationships or circumstances which may affect a supervisory board member's fulfilment of the independence criteria. An assessment of supervisory board members' fulfilment of the independence criteria shall be presented by the supervisory board according to principle II.Z.10.2.	*The Management Board will advise the Supervisory Board of the said principle. Nevertheless, its application is at the discretion of the Supervisory Board.*
PRINCIPLE II.Z.7. Annex I to the Commission Recommendation referred to in Principle II.Z.4 applies to the tasks and the operation of the committees of the supervisory board. Where the functions of the audit committee are performed by the supervisory board, the foregoing shall apply accordingly.	*The committees operating within the Company's Supervisory Board will act in accordance with the applicable legislation and internal regulations.*

RULE II.Z.10.

In addition to its responsibilities laid down in the legislation, the supervisory board shall prepare and present to the ordinary general meeting once a year the following:

II.Z.10.1. an assessment of the company's standing, including an assessment of the internal control, risk management and compliance systems and the internal audit function; such an assessment should cover all significant controls, in the first instance financial reporting and operational controls; (…)	*The principle is applied, except that the Company's organizational structure does not include separate units responsible for the performance of tasks in individual systems.*
II.Z.10.3 an assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities; (…)	*In the opinion of the Management Board, assessment of compliance with the corporate governance principles by the body which itself must comply with them is not appropriate. As far as foreign members of the Supervisory Board are concerned, the provisions governing the correctness of the Company's compliance with the disclosure obligations concerning compliance with the corporate governance principles are not publicly available in English.*
II.Z.10.4 an assessment of the rationality of the policy conducted by the Company, as referred to in recommendation I.R.2, or information about the absence of such a policy.	*If the Company starts any sponsoring, charity or similar activities it will apply this principle.*

RULE II.Z.11.

The Supervisory Board investigates and gives its opinions on issues which are to be the subject matter of the resolutions of the GSM.	*The Company will not apply this rule. In this respect it considers the competencies granted to the Supervisory Board in the Commercial Companies Code and in the Issuer's Articles of Association sufficient to correctly supervise the Company's operations.*

III. Internal Systems and Functions

PRINCIPLE III.Z.1.

The company's management board is responsible for the implementation and maintenance of efficient internal control, risk management and compliance	*The principle is applied, except that the Company's organizational structure does not include separate units responsible for the performance of tasks in*

systems and internal audit function.	*individual systems.*
PRINCIPLE III.Z.2.	
Subject to principle III.Z.3, persons responsible for risk management, internal audit and compliance should report directly to the president or other member of the management board and should be allowed to report directly to the supervisory board or the audit committee.	*The Company's organizational structure does not include separate units responsible for the performance of tasks in individual systems due to the size of the Company's operations. Internal control, risk management and compliance have a decentralized structure and the persons involved report directly to the Management Board.*
PRINCIPLE III.Z.3.	
The independence rules defined in generally accepted international standards of the professional internal audit practice apply to the person heading the internal audit function and other persons responsible for such tasks.	*The Company's organizational structure does not include separate units responsible for the performance of tasks in individual systems due to the size of the Company's operations, and those performing individual functions are only subject to the Company's internal regulations.*
PRINCIPLE III.Z.4.	
The person responsible for internal audit (if the function is separated in the company) and the management board shall report to the supervisory board at least once a year with their assessment of the effectiveness of the systems and functions referred to in Principle III.Z.1 and table a relevant report.	*The Company believes that, due to the size of the Company's operations, an additional report is not warranted.*
PRINCIPLE III.Z.5.	
The supervisory board shall monitor the effectiveness of the systems and functions referred to in Principle III.Z.1 among others on the basis of reports provided periodically by the persons responsible for the functions and the company's management board, and make an annual assessment of the effectiveness of such systems and functions according to Principle II.Z.10.1. Where the company has an audit committee, it shall monitor the effectiveness of the systems and functions referred to in Principle III.Z.1, which, however, does not release the supervisory board from the annual assessment of the effectiveness of such systems and functions.	*The Supervisory Board and the Audit Committee monitor the systems and functions operating in the Company by reference to the generally applicable legislation and the internal regulations implemented at the Company.*

PRINCIPLE III.Z.6.

Where the company has no separate internal audit function in its organization, the audit committee (or the supervisory board if it performs the functions of the audit committee) shall review on an annual basis whether such function needs to be separated.	*In the Company's opinion, the decision as to the organizational structure and separate units should be taken by the Management Board.*

IV. General Meeting and Shareholder Relations

PRINCIPLE IV.Z.2.

If justified by the shareholding structure, companies should ensure publicly available real-time broadcasts of general meetings.	*In the near future, this principle will not be applied due to the lack of appropriate regulations in the Company's Articles of Association and in the general meeting regulations, as well as due to the high cost of implementing a data transmission system. The Issuer will consider adopting this Good Practice if there is significant interest in this form of communication on the part of the Company's shareholders.*

PRINCIPLE IV.Z.3.

The media should be allowed at general meetings.	*Authorized participants and persons servicing general meetings shall be taking part in general meetings. The applicable legal regulations, including the Decree of the Finance Minister on current and periodic reporting of 19 February 2009 (...) sufficiently govern the discharge of the disclosure obligations of public companies in terms of the transparency of matters discussed at general meetings. The Company will be responding to any media queries relating to general meetings on a current basis.*

PRINCIPLE IV.Z.11.

Members of the management board and the supervisory board should participate in a general meeting as necessary to answer questions asked at the general meeting.	*The Company will use its best efforts to apply this principle, however, it cannot guarantee the participation of members of the Supervisory Board on each occasion.*

PRINCIPLE IV.Z.13.

If a shareholder requests information about the	*The Company will abide by this principle to the*

company, the management board of the company should provide an answer to the shareholder's request within 30 days or inform the shareholder of its refusal to provide such information where the management board has made such a decision under Article 428 §2 or §3 of the Commercial Companies Code.	*extent required by the generally applicable legislation, i.e. the Commercial Companies Code and the Decree of the Finance Minister on current and periodic reporting (...) of 19 February 2009. As far as questions asked other than at a general meeting are concerned, this principle is a duplication of the duty stipulated in §38 sec. 1 item 12 of the Decree of the Finance Minister on current and periodic reporting (...) A report on the matter in question will be published on the website, under the Current Reports tab.*

V. Conflict of interests and transactions with related entities

RULE V.Z.2.

A member of the Management Board or Supervisory Board appropriately informs the Management Board or Supervisory Board of a conflict of interests which had arisen or of the possibility of it arising, and does not participate in voting of resolutions on issues where there may be a conflict of interests.	*This rule will not be applied, with the exception of a situation where universally binding regulations order the person to be exempt from voting.*

PRINCIPLE V.Z.5.

Before the company concludes a significant agreement with a shareholder who holds at least 5% of the total votes in the company or with a related party, the management board shall request the supervisory board's approval of the transaction. Before giving its approval, the supervisory board shall evaluate the impact of the transaction on the interests of the company. The foregoing does not apply to typical transactions or transactions at arm's-length made as part of the company's operations between the company and members of its group. If the decision concerning the company's significant agreement with a related party is made by the general meeting, the company should give all shareholders access to information necessary to assess the impact of the transaction on the interests of the company before the decision is made.	*The Company has its own regulations included in the Articles of Association which involve transaction verification procedures performed by the Supervisory Board, which, in its opinion, guarantee agreement execution transparency.*

RULE V.Z.6.

In its internal regulations, the company shall define the criteria and circumstances under which a conflict of interests may arise in the company, as well as the rules of conduct where a conflict of interests has arisen or may arise. The company's internal regulations shall, among others, provide for ways to prevent, identify and resolve conflicts of interests, as well as rules of excluding members of the management board or the supervisory board from participation in reviewing matters subject to a conflict of interests which has arisen or may arise.	*The Company will analyse the usefulness of implementing the appropriate internal regulations and if it decides to go ahead with that, it will publish an appropriate report.*

VI. Remuneration

RULE VI.Z.3.

The remuneration of members of the supervisory board should not be linked to options or other derivatives or any other variable components, and neither should it be linked to the company's results of operations..	*Decisions as to the type of remuneration payable to members of the Supervisory Board are taken by general meetings and the Company's Management Board has no influence over them. Nevertheless, the Company will advise general meetings of the existence of this principle.*

RULE VI.Z.4.

In the management report, the company should report on the remuneration policy including at least the following: 1) general information about the company's remuneration system; 2) information about the conditions and amounts of remuneration of each management board member analysed into fixed and variable remuneration components, including the key parameters of setting the variable remuneration components and the terms of payment of severance allowances and other amounts due on termination of employment, contract or other similar legal relationship, separately for the company and each member of its group; 3) information about non-financial remuneration	*The Company does not have a remuneration policy.*

components due to each management board member and key manager;

4) significant amendments of the remuneration policy in the last financial year or information about their absence;

5) assessment of the implementation of the remuneration policy in terms of achievement of its goals, in particular long-term shareholder value creation and the company's stability.

3. Description of the main features of the internal control and risk management systems applied by the Issuer in respect of the process of preparation of financial statements and consolidated financial statements

The Management Board of Kino Polska TV S.A. is responsible for the internal control system in the Company and for its effectiveness in the process of preparing the financial statements.

The internal control system in the Company operates on many levels, as described below.

3.1 Specialized Finance Department supported by the accounting and financial systems

Business transactions and events are recorded in an integrated financial and accounting system. Access to the system is limited to the persons employed in the Finance Department. Configuration of the system allows restricting systemic rights so as to ensure appropriate segregation of duties among the employees.

The Company has an effective document flow process, which ensures the completeness of the information recorded in the financial and accounting system, and, subsequently, in a periodic report which is prepared based on the data obtained from the system.

The financial statements are prepared by a specialized Finance Department in accordance with the adopted accounting policy. The policy is standardized for all the Kino Polska TV S.A. Group companies. It is periodically updated mainly to ensure consistency with the currently binding regulations, in particular with IFRS, the Accounting Act of 29 September 1994 and the Decree of the Finance Minister dated 19 February 2009 on current and periodic information submitted by issuers of securities.

Authorization procedures are in place at the Company in accordance with which periodic financial data prepared by the Finance Department is submitted to the Management Board, and, subsequently, to the Audit Committee of the Supervisory Board for opinion. After an opinion of the Audit Committee is obtained and an audit of the financial statements by an external independent registered auditor is completed, a report is approved by the Management Board for publication; this is the duty of the Investor Relations Department. To protect the data presented in periodic reports, any information to be included therein is made available exclusively to those involved in preparing them.

3.2 Corporate risk management

The Company consistently carries out the process of identification, assessment and management of corporate risk in various areas of the Issuer's business.

Both risk identification and risk assessment are managed by the Controlling Department in cooperation with the Audit Committee. Risk is managed and mitigated on many levels through the introduction of appropriate controls.

3.3. External audit

In accordance with the applicable legislation, semi-annual separate and consolidated financial statements of Kino Polska TV S.A. are reviewed by an independent registered auditor, and annual separate and consolidated financial statements of Kino Polska TV S.A. are audited by an independent registered auditor.

A registered auditor is appointed by the Supervisory Board based on recommendations of the Audit Committee.

PricewaterhouseCoopers Sp. z o.o. is the registered audit company auditing the financial statements for the years 2017 and 2018.

As part of its audit procedures, a registered auditor conducts an independent assessment of the accounting policies applied by the Parent in preparing financial statements and of the fairness and correctness of separate and consolidated financial statements. The effectiveness of the internal control systems and risk management in the process of preparing the financial statements are confirmed by the opinions from the audit of the separate and consolidated financial statements of Kino Polska TV S.A. issued by the independent registered auditor.

3.4 Supervisory Board, Audit Committee and Internal Audit

Actions taken by the Controlling Department are a significant element of internal control. This department indirectly strengthens the process of preparing financial statements.

The objective of the Controlling Department is to monitor and report to the Management Board and the Audit Committee on an on-going basis.

The body which supervises the financial reporting process to ensure fairness of the presented financial information in the Company is the Audit Committee appointed within the Issuer's Supervisory Board.

Moreover, under Article 4a of the Accounting Act of 29 September 1994, the duties of the Supervisory Board include ensuring that financial statements and management reports meet the legal requirements, and the Supervisory Board meets this duty by using its powers laid down in the legislation and the Company's Articles of Association. This is another level of control exercised by an independent body, which ensures the correctness and fairness of information presented in separate and consolidated financial statements.

4. Shareholders holding, directly or indirectly, significant blocks of shares, including the number of shares held by those entities, their percentage share in the share capital, number of votes resulting thereof and their percentage share in the total number of votes at the General Shareholders' Meeting

The table below presents the shareholders of Kino Polska TV S.A. holding, to the best of the Company's knowledge, at least 5% of votes at a general meeting of the Company as at the date of issue of this Report.

Shareholder	*Type of shares*	*Number of shares*[1]	*% share in share capital*	*Number of votes at the GSM*	*Share in the total number of votes at GSM*
SPI International B.V.	ordinary bearer	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	1,702,462	8.59%	1,702,462	8.59%
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (including Nationale-Nederlanden OFE and Nationale-Nederlanden DFE)[2]	ordinary bearer	1,038,944	5.24%	1,038,944	5.24%
Others	ordinary bearer	4,166,713	21.02%	4,166,713	21.02%
TOTAL	**ordinary bearer**	**19,821,404**	**100.00%**	**19,821,404**	**100.00%**

[1]Information in the table is based on information obtained from the shareholders, pursuant to Article 69 of the Act on Public Offering, on Conditions for the Introduction of Financial Instruments to the Organized Trading System and on Public Companies of 29 July 2005, and on the notice submitted by SPI International B.V. on the actual number of shares held by the Issuer.
[2] previous name ING Powszechne Towarzystwo Emerytalne S.A. (including ING OFE and ING DFE)

The Parent of SPI International B.V. which holds 100% shares in the company is Cooperatieve SPI International U.A.

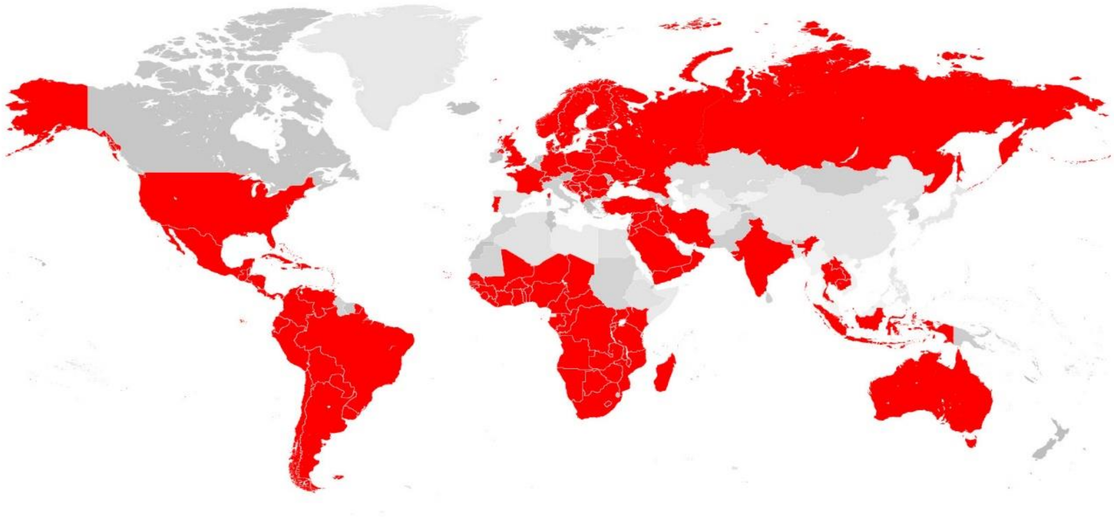
To the best of the Company's knowledge, since the date of submitting the quarterly report for the third quarter of 2017, i.e. since 9 November 2017, there have been no changes to the shareholding structure of Kino Polska TV S.A. with regard to shareholders holding at least 5% of votes at the Company's general meetings.

The following table shows the shareholders holding at least 5% of the total number of votes at the General Shareholders' Meeting of Kino Polska TV S.A. in 2017, i.e. as at 30 May 2017.

Shareholder	*Type of shares*	*Number of shares*	*% share in share capital*	*Number of votes at the GSM*	*Share in total number of votes*
SPI International B.V.	ordinary bearer	12,913,285	65.15%	12,913,285	65.15%

Information on the Company's key shareholder[8]

SPI International B.V. is a global media group which has been a lead global distributor of cinema and television films for over 25 years. The map below shows the territories on which SPI conducts its operations.



SPI offers more than 30 television channels on five continents. The SPI Group also built one of the largest libraries of original productions in Ultra HD definition in the world. Via state of the art technologies SPI provides its customers both with linear channels (such as the FilmBox brand), and video on demand content, which includes UHD programs. The content is available on almost all devices with internet access via global streaming services and local OTT television operators.

5. Holders of any securities which give special controlling rights, including a description of those rights

There are no securities which give special controlling rights over the Company.

6. All voting restrictions, such as restrictions on voting rights of holders of a specific percentage or number of votes, time restrictions or provisions in accordance with which, with the Company's cooperation, the equity rights attaching to such securities are separated from holding such securities

In the reporting period, there were no securities that would have any restrictions on voting rights.

[8] Source: own materials of SPI

7. All restrictions on transferability of title to the Issuer's securities

In the reporting period, there were no restrictions on the transfer of ownership of the Issuer's shares.

8. Description of the rules of appointment and removal of management board members and their powers, in particular the right to make decisions about an issue or redemption of shares

In accordance with § 11 clause 1 of the Issuer's Articles of Association, the Management Board consists of not less than two and not more than five persons, including the President and other members of the Management Board. The Management Board manages the Company's affairs and represents it before third parties. The following persons are authorized to make representations and sign on behalf of the Company: the President of the Management Board acting jointly with another Board member or an authorized agent (*prokurent*).

Management Board members, including the President, are appointed and dismissed by the Supervisory Board for a three-year term. They have no special powers relating to the issue or redemption of shares.

9. Description of the rules for amending the Issuer's Articles of Association

The Issuer's Articles of Association are amended in accordance with the provisions of the Commercial Companies Code, i.e. by resolution of the General Shareholders' Meeting.

10. Operation of a general meeting and its key rights, as well as the rights of shareholders and their exercise

Pursuant to Article 402^1 of the Commercial Companies Code, the General Shareholders' Meeting of a public company is convened by an announcement published on the Company's website and in the form of a current report – in accordance with the provisions of the Act on Public Offering. The announcement should be made no later than 26 days before the date of the General Shareholders' Meeting. Article 402^2 of the Commercial Companies Code defines the content of the notice of the General Shareholders' Meeting of a public company. It should include at least the date, time and place of the General Shareholders' Meeting and a detailed agenda, as well as a precise description of the procedures for participation in the General Shareholders' Meetings and voting. In particular, the notice should include information regarding the following issues:

- The right of a shareholder to request placing certain issues on the agenda of the General Shareholders' Meeting – according to Article 401 § 1 of the Commercial Companies Code, a shareholder or shareholders representing at least one twentieth of the share capital may demand placing certain issues on the agenda of the next General Shareholders' Meeting. Such a demand should be submitted to the Management Board no later than 21 days before the scheduled date of the GSM. It should contain a justification or a draft resolution relating to the item that is proposed to be placed on the agenda. A request may be submitted in electronic form. The Management Board shall be obliged to announce the changes made to the agenda at the shareholders' request immediately, no later than 18 days before the scheduled date of the GSM. Such announcement should be consistent with the procedure for convening a GSM (Article 401 § 2 of the Commercial Companies Code).

- The right of a shareholder to submit drafts of resolutions related to issues on the agenda of the General Shareholders' Meeting or issues which are to be placed on the agenda before the Meeting – in accordance with Article 401 § 4 of the Commercial Companies Code, before the date of the General Shareholders' Meeting a shareholder or shareholders of a public company representing at least one-twentieth of the share capital may submit to the Company, in writing or using electronic communication, draft resolutions relating to the issues that have been or are to be placed on the agenda of the General Shareholders' Meeting. The Company shall publish draft resolutions on its webpage immediately.
- According to Article 401 § 6 of the Commercial Companies Code, the Articles of Association may contain a provision that a shareholder or shareholders representing less than one-twentieth of the share capital may submit to the Company, in writing or using electronic communication, draft resolutions relating to the issues that have been or are to be placed on the agenda of the General Shareholders' Meeting.

  The Articles of Association of the Issuer do not include such provisions.
- The right of a shareholder to submit draft resolutions relating to issues placed on the agenda during the General Shareholders' Meeting - in accordance with Article 401 § 5 of the Commercial Companies Code, every shareholder has the right to submit draft resolutions relating to issues placed on the agenda during the General Shareholders' Meeting.
- The manner of voting by proxy, in particular the forms used to vote by proxy, and the manner of notifying the Company of appointing a proxy by means of electronic communication.
- The possibility and method of participation in the General Shareholders' Meeting by means of electronic Communications.
- The way of speaking during the General Shareholders' Meeting with the use of electronic communication.
- The manner of voting by correspondence or by means of electronic communication.
- Registration date for participation in the General Shareholders' Meeting which, according to Article 406^1 of the Commercial Companies Code, falls 16 days before the date of the General Shareholders' Meeting and shall be the same for holders of bearer shares and registered shares.
- Information that only the persons who are shareholders of the Company on the day of registration for participation in the General Shareholders' Meeting have the right to participate in the General Shareholders' Meeting.
- An indication of where and how a person entitled to participate in the General Shareholders' Meeting may receive a full text of the documentation which is to be presented at the Meeting and drafts of the resolutions or, if no resolutions are expected to be passed, comments of the Management Board or the Supervisory Board of the Company on the matters placed on the agenda of the General Shareholders' Meeting or issues which are to be added to the agenda before the date of the General Shareholders' Meeting.
- Address of the website where information on the General Shareholders' Meeting is to be published.

Pursuant to Article 402^3 § 1 each public company is obliged to maintain its own website and publish there, as of the date of convening the General Shareholders' Meeting, the following information:

- announcement on convening the General Shareholders' Meeting;

- information about the total number of shares in the Company and number of votes carried by such shares as at the date of announcement and, if the shares are of different types, also about the division of the shares into individual types and the number of votes carried by shares of each type;
- the documentation to be presented to the General Shareholders' Meeting;
- drafts of the resolutions or, if no resolutions are expected to be passed, comments of the Management Board or the Supervisory Board of the Company on the matters placed on the agenda of the General Shareholders' Meeting or issues which are to be added to the agenda before the date of the General Shareholders' Meeting;
- forms for voting by proxy or by correspondence, unless sent directly to all shareholders.

If forms for voting by proxy or by correspondence cannot be made available on the website for technical reasons, a public company should inform on its website where and how such forms may be obtained. In such cases, the public company shall send the forms by post, free of charge, to every shareholder who has requested them.

The forms for voting by proxy or by correspondence should contain the suggested wording of the resolutions of the General Shareholders' Meeting and should make it possible to:

- identify the shareholder casting the vote and his proxy, if the shareholder is voting by proxy;
- cast a vote within the meaning of Article 4 § 1.9 of the Commercial Companies Code;
- for shareholders voting against the resolution, to submit an objection;
- place a voting instruction with regard to each resolution on which the proxy is to vote.

In accordance with §21 of the Issuer's Articles of Association, resolutions of the General Shareholders' Meeting are passed by the absolute majority of votes validly cast, unless the provisions of the Articles of Association or the law provide more stringent conditions.

Resolutions of the General Shareholders ' Meeting on the following matters require a qualified majority of three quarters of the votes cast:

- redemption of shares in the case referred to in Article 415 § 4 of the Commercial Companies Code;
- acquisition of treasury shares in the case referred to in Article 362 § 1.2 of the Commercial Companies Code;
- a business combination of the Company with another company in the case referred to in Article 506 § 2 of the Commercial Companies Code.

A resolution of the General Shareholders' Meeting on the dismissal or suspension by the General Shareholders' Meeting of one or all members of the Management Board in accordance with Article 368 § 4 of the Commercial Companies Code, requires four-fifths of the votes cast. The acquisition and disposal of property, perpetual usufruct right or interest in real property do not require a resolution of the General Shareholders' Meeting.

11. The composition (and changes therein which occurred in the last financial year) and description of activities of the Issuer's Management Board, Supervisory Board, administrative bodies and their committees

Management Board of Kino Polska TV S.A.

In the period from 1 January 2017 to 31 December 2017, the composition of the Management Board of Kino Polska TV S.A. was as follows:

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

Bogusław Kisielewski – President of the Management Board

Bogusław Kisielewski graduated from the Economic University in Kraków, the Economics Department. He completed many training courses in management, finance, management and financial accounting, bookkeeping, capital markets, ERP and MRP IT systems.

He began his career as a broker with Regionalny Dom Maklerski Polonia S.A. After that, he was a Member of the Management Board/Finance Director of, among others, BMJ Management Sp. z o.o. and ZPO Modena S.A.

Since 2007 he has been with Kino Polska TV S.A. (previously Kino Polska TV Sp. z o.o.)– currently in the position of President of the Management Board, previously a Member of the Management Board/ Director General.

Since 2013 he is also President of the Management Board of Stopklatka S.A.

Since 2017 Bogusław Kisielewski is also on the Management Board of Cable Television Networks & Partners sp. z o.o. where he is first Vice President (previously he was a Member of the Supervisory Board in the Company).

Berk Uziyel – Member of the Management Board

Berk Uziyel graduated from the Koc School in Istanbul and from Babson College in Boston, Department of Administration and Entrepreneurship in Business.

He began his career in 2001 at Merill Lynch in Boston. After one year he joined the Eftas team where he was responsible for distribution of the Konica Minolta, Kodak, Olympus and Oblio brands. At Eftas he was: Sales and Marketing Manager, Sales Director and Operations Director.

Since 2010 he has been combining those duties with the position of New Media Director at SPI International B.V., Managing Director of Filmbox International Ltd. and Mediabox Broadcasting International Ltd., responsible, among other things, for the distribution of FilmBox channels on the international market.

Since 2014 he has been Member of the Management Board of Kino Polska TV S.A.

Since 2016 he has been on the Supervisory Board of Stopklatka S.A., as Chairman of the Supervisory Board (previously Supervisory Board Member).

Marcin Kowalski – Member of the Management Board

Marcin Kowalski studied at the University of Silesia, the Radio and Television Department. In 2003 he received a master’s degree in Organization of Television and Film Production.

He began his career in 2005, at Kino Polska TV S.A. (Kino Polska TV Sp. z o.o. then) as Postproduction Department Manager; after that, he became Managing Director of the FilmBox and Kino Polska channels. Since 2015 he has been a Member of the Management Board (and before that, an authorized agent (*prokurent*)) of the company.

He also held the position of Operations & OnAir Manager at Fox International Channels Polska.

Since 2012 he has been President of the Management Board of KPTV Media Sp. z o.o. and since January 2017 he has been on the Management Board of Cable Television Networks & Partners sp. z o.o. as Second Vice President of the Management Board (before that, he had been Supervisory Board Member in that Company).

Since 2013 he has been Member of the Supervisory Board of Stopklatka S.A.

Alber Uziyel

Alber Uziyel graduated from Istanbul Technical University with a master's degree in Electrical Engineering.

In the years 1979 to 1996 he was Member of the Management Board in Eskimo Textile and Production.

Since 2008 he has been President of Eftas A.S., where he is responsible, among other things, for developing the Company's strategy and supervising its distribution.

Since 2012 he has been working with Mediabox International Ltd. as Filmbox Live Project Adviser.

In 2015 he was appointed Member of the Management Board of Kino Polska TV S.A.

Supervisory Board of Kino Polska TV S.A.

In the period from 1 January 2017 to 14 January 2017 the composition of the Issuer's Supervisory Board was as follows:

Loni Farhi	Chair of the Supervisory Board
Stacey Sobel	Deputy Chair of the Supervisory Board
Piotr Orłowski	Member of the Supervisory Board
Krzysztof Rudnik	Member of the Supervisory Board
Piotr Reisch	Member of the Supervisory Board
Leszek Stypułkowski	Member of the Supervisory Board
Katarzyna Woźnicka	Member of the Supervisory Board

Loni Fahri – Chair of the Supervisory Board

Loni Farhi is member of the British Academy of Film and Television Arts-East Coast. He has been working in the film industry for many years.

In the years 1978 to 1985 he worked for Eskimo Yunleri A.S.– first as Sales Manager, then as Production Manager, and since 1983 as General Manager.

In the years 1987 to 1989 he was employed by Ans International as Managing Partner.

In 1989 he established SPI INC., where he has been CEO since 1991.

Since 1990 he has been the President of the Management Board of SPI International INC., New York.

He is also Chair of the Supervisory Board of Kino Polska TV S.A.

Stacey Sobel – Deputy Chair of the Supervisory Board

In 1980 Stacey Sobel earned the title of Master of Arts at the Boston University, in the Art Department. She has been working in the film industry for 28 years.

In the years 1982 to 1988 she worked for AVP International Sales. In the years 1980 to 1981 for Account Executive Domestic Sales, and then for Cannon Films INC., Los Angeles (1980 to 1988).

Since 1989 she has been with SPI International INC., New York, where she is Vice President of the Management Board.

She is on the Supervisory Board of Kino Polska TV S.A. as Deputy Chair.

Piotr Orłowski – Member of the Supervisory Board

Piotr Orłowski graduated from the Faculty of Law and Administration at the Adam Mickiewicz University in Poznan. In 2001 he obtained an L.L.M. He earned a scholarship from the Stefan Batory Foundation at Oxford University.

He sits on the Supervisory Boards of Kino Polska TV S.A. (since 2011), Stopklatka S.A. (since 2011) and Remedis S.A.

Since 2006 he has been Partner in the Orłowski Matwijcio Kancelaria Radców Prawnych Sp. P. partnership.

Krzysztof Rudnik – Member of the Supervisory Board

Krzysztof Rudnik graduated from the Warsaw School of Economics in 2000. He also studied in NHH in Bergen, Norway, under the CEMS program. He is an American certified financial advisor (CFA).

He has many years of experience in mergers and acquisitions and business valuations. In the years 2000 to 2013 he worked with such companies as Deloitte, Ernst & Young and BRE Corporate Finance. He performs corporate governance functions in portfolio companies of Total FIZ. He is a member of the Supervisory Board of Kino Polska TV S.A. (since 2013) and Braster S.A.

Additionally, he is Member of the Board of Directors of Orphee S.A. and supervises the commercialization of medical devices developed by PZ Cormay S.A.

Piotr Reisch – Member of the Supervisory Board

Piotr Reisch studied at the Foreign Trade Department of the current Warsaw School of Economics (formerly SGPiS). In 1992 he received the degree of Bachelor of Business Administration (BBA) at the City University of

New York, Baruch College, and in 1995 he was awarded an MBA in Economics and Investments. Producer and co-producer of many feature films and documentaries. He sat on the Management Boards of Polish and foreign companies.

In the years 1997 to 1998 he was International Sales Director at New Films International New York, USA.

In the years 1999 to 2013 he was President of the Management Board of SPI International Polska Sp. z o.o. and (in the years 2007 to 2013) President of the Management Board of SPInka Film Studio Sp. z o.o. (previously SPI Film Studio Sp. z o.o.). Since 2004 he has been the owner (producer) of Wytwórnia Pozytywna, and since 2005 President of the Management Board of the Przyjaciele Misia Foundation.

In the years 2007 to 2014 he was President of the Management Board of Kino Polska TV S.A. (previously Kino Polska Sp. z o.o.) Since 2014 he has been a Member of the Supervisory Board of the Company.

In the years 2010 to 2015 he was Member of the Supervisory Board of Stopklatka S.A. (from 2013 Chairman of the Supervisory Board).

Since January 2017 he has been a Member of the Supervisory Board of Cable Television Networks & Partners sp. z o.o.

Leszek Stypułkowski – Member of the Supervisory Board

Leszek Stypułkowski graduated from the Warsaw School of Economics in 2004. He received a master's degree in economics, specializing in Management and Marketing. He also studied law at the Department of Law and Administration of the University of Warsaw and international marketing at the University in Mannheim (Germany).

Currently, he is President of the Management Board of Index Copernicus Sp. z o.o. Since 2010 he has been cooperating with the Ministry of Education and Higher Education – among other things as member with voting rights in the steering group for the systemic project entitled "Creating the Information System on Education and Higher Education POL-on" and as co-author of the assumptions for the higher education reform prepared under the aegis of the Allerhand Institute. He has nearly 20 years of experience in company management, both on Polish and international markets. In the years 2007 to 2010 he acted as President of the Management Board of Wilbo S.A.– a company listed on the WSE. Previously, he had managed international sales structures in the VTS Group (one of the lead global manufacturers of air conditioning systems). Leszek Stypułkowski engages in restructuring projects as an interim manager. He successfully completed the restructuring project for Point Group S.A. (PMPG S.A.)– a company listed on the WSE.

His interests also include research in the area of innovative solutions in social policy (in the public sector), which he conducts as a signatory member of the Initiative for Innovation in Regulation (IRI), an institute established at the Central European University, founded by George Soros in Budapest. He is also co-founder and chair of the Board of the Administrategy Lab Foundation which promotes strategic management in public administration.

Since 2013 he has been Member of the Supervisory Board of Kino Polska TV S.A.

Katarzyna Woźnicka – Member of the Supervisory Board

Katarzyna Woźnicka studied Finance and Accounting at the Kozminski University in Warsaw. In 2001 she received a master's degree in Finance and Accounting. Since 2009 she has been member of ACCA, and since 2014 of FCCA.

In the years 2001 to 2003 she was the Manager of the Purchases Administration Office at Prószyński S.A./Agora S.A. Later, in Agora S.A. (in the years 2003 to 2006) she was employed as an Analyst and then (2006 to 2007) as Financial Controller. In the years 2007 to 2014 she was with LexisNexis Polska Sp. z o.o., first as a Finance Manager, then as Finance Director/ Member of the Management Board.

In the years 2014 to 2015 Katarzyna Woźnicka worked at Kino Polska TV S.A. as Finance Director. Since 2016 she has been Member of the Issuer's Supervisory Board.

Since 2014 she has been employed at Stopklatka S.A. as Finance Director. Since 2016 she has been CFO at SPI International Group.

The Audit Committee

In the reporting period, an Audit Committee also operated as part of the Supervisory Board of Kino Polska TV S.A. In the period from 1 January 2017 to 18 September 2017 the composition of the Audit Committee was as follows:

Piotr Orłowski	Chair of the Audit Committee
Krzysztof Rudnik	Member of the Audit Committee
Katarzyna Woźnicka	Member of the Audit Committee
Leszek Stypułkowski	Member of the Audit Committee

In the period from 18 September 2017 to 31 December 2017 the composition of the Audit Committee was as follows:

Piotr Orłowski	Chair of the Audit Committee
Krzysztof Rudnik	Member of the Audit Committee
Leszek Stypułkowski	Member of the Audit Committee

The Planning and Budgeting Committee

In the reporting period, a Planning and Budgeting Committee also operated as part of the Supervisory Board of Kino Polska TV S.A. The Committee was established on 18 September 2017. In the period from 18 September 2017 to 31 December 2017 the composition of the Planning and Budgeting Committee was as follows:

Krzysztof Rudnik	Member of the Planning and Budgeting Committee
Katarzyna Woźnicka	Member of the Planning and Budgeting Committee
Leszek Stypułkowski	Member of the Planning and Budgeting Committee

Supervisory Board of Kino Polska TV S.A.

The Supervisory Board holds constant supervision over the activities of the Company's in all areas of its activities.

In addition to the matters specified in the provisions of the Commercial Companies Code and other provisions of the Company's Articles of Association, the competencies of the Supervisory Board include:

- acceptance of the proposed changes to the Company's Articles of Association drawn up by the Management Board;
- appointment of a registered audit company to carry out an audit or review of consolidated and separate financial statements of the Company;
- granting consent to entering into agreements with such company or its subsidiaries, subordinated entities, parent companies or subsidiaries or subordinate entities of its Parents and for performing any other activities that may adversely affect the independence of such entity in performing the audit or review of the Company's financial statements;
- granting consent to joining or creating any business organization, acquiring or selling shares or interests in companies, as well as approving changes in the equity interest in any business organization in which the Company participates;
- granting consent to entering into or terminating long-term cooperation agreements whose value (over the whole term of a given agreement) may exceed the amount of EUR 500,000 or its equivalent as calculated on the date of transaction at the exchange rate of the National Bank of Poland;
- granting consent to the sale, purchase, encumbrance, rental, lease of the Company's assets outside the ordinary business activities of the Company in excess of EUR 500,000 or its equivalent calculated as at the date of sale, purchase, encumbrance, rental or lease of a given asset at the exchange rate of the National Bank of Poland;
- granting consent to the acquisition of fixed assets outside the ordinary business activities of the Company in excess of EUR 500,000 or its equivalent calculated as at the date of acquisition at the exchange rate of the National Bank of Poland;
- granting consent to the creation of employee pension schemes at the Company and granting additional pension rights in addition to the existing ones.

Description of the activities of the Management Board

The Management Board operates in compliance with the provisions of the Commercial Companies Code and the Company's Articles of Association. The Management Board consists of not less than two and not more than five persons, including the President and other members of the Management Board. The President of the Management Board manages the work of the Management Board, defines the internal segregation of duties and powers between the Management Board members, convenes and presides over the Management Board meetings, and issues the internal regulations of the Company. The President of the Management Board may authorize other persons to convene and preside over Management Board meetings and issue internal regulations. Resolutions of the Management Board are passed unanimously. The Management Board is obliged to report significant events associated with the Company's operations to the Supervisory Board at least once a year. Such reports shall also contain statements of the Company's income, costs and financial results.

The following persons are authorized to make representations and sign on behalf of the Company: the President of the Management Board acting jointly with another Board member or a proxy. For the purposes of taking specific actions or actions of specific type, proxies may be appointed to act independently or jointly, within the scope of their authorization.

Audit Committee of Kino Polska TV S.A.

The purpose of operations of the Audit Committee is to provide advice to the Supervisory Board on issues concerning separate and consolidated financial reporting, internal control and risk management, as well as cooperation with independent auditors. The main tasks of the Audit Committee include:

- supervisory activities associated with monitoring of the Company's financial reporting and auditing activities, including in particular:
  - monitoring the process of drawing up financial statements;
  - making recommendations to the Supervisory Board regarding the approval of financial statements audited by an independent auditor;
  - monitoring the integrity of financial information presented by the Company.
- supervision of monitoring of internal control, internal audit and risk management systems through actions including in particular:
  - reviewing, at least once a year, internal control and risk management procedures in order to ensure compliance with the law and internal regulations;
  - assessment of compliance with risk management principles and presenting recommendations in this regard.
- supervisory activities in the area of monitoring the independence of external auditors through activities including in particular:
  - making recommendations to the Supervisory Board concerning selection, appointment, re-appointment;
  - and dismissal of the entity conducting the audit of the financial statement (external auditor) as well as the terms and conditions of its engagement;
  - monitoring the auditor's independence with regard to the audit performed;
  - discussing the audit process with the auditor;
  - receipt from the entity authorized to audit financial statements of written information on significant audit issues, including in particular significant irregularities of the internal control system relating to the financial reporting process.

Warsaw, 22 March 2018

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

Warsaw, 22 March 2018

REPRESENTATION
OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A.
ON THE APPOINTMENT OF AN AUDIT FIRM
TO PERFORM AN AUDIT OF THE ANNUAL SEPARATE FINANCIAL STATEMENTS

The Management Board of Kino Polska TV S.A. confirms that the audit company which has audited the annual separate financial statements has been appointed in accordance with the law. The registered audit company and the auditors who conducted the audit meet the conditions enabling them to issue an unbiased and independent audit opinion on the annual separate financial statements of Kino Polska TV S.A., in accordance with the applicable law and professional standards.

Management Board of Kino Polska TV S.A.

Bogusław Kisielewski President of the Management Board	Berk Uziyel Board Member
Marcin Kowalski Board Member	Alber Uziyel Board Member

Warsaw, 22 March 2018

REPRESENTATION OF THE MANAGEMENT BOARD OF KINO POLSKA TV S.A. ON PREPARING THE FINANCIAL STATEMENTS IN COMPLIANCE WITHE THE APPLICABLE ACCOUNTING POLICIES

The Management Board of Kino Polska TV. S.A. confirms that, to the best of its knowledge, the annual separate financial statements of Kino Polska TV S.A. and comparative information have been prepared in accordance with the applicable accounting policies and that they give a true and fair view of the financial position of Kino Polska TV S.A. and the results of its operations. The annual report on the operations of Kino Polska TV S.A. (the Management Report) presents a true picture of the development, achievements and position of Kino Polska S.A., including a description of the key risks and threats.

Management Board of Kino Polska TV S.A.

Bogusław Kisielewski President of the Management Board	Berk Uziyel Board Member
Marcin Kowalski Board Member	Alber Uziyel Board Member

Person responsible for maintaining the books of account

Dominika Talaga-Spławska
Chief Accountant

KINO POLSKA TV S.A.

INDEPENDENT REGISTERED AUDITOR'S REPORT ON THE AUDIT

Version dated 09.05.2018

TRANSLATORS' EXPLANATORY NOTE

The English content of this report is a free translation of the registered auditor's report of the below-mentioned Polish Company. In Poland statutory accounts as well as the auditor's report should be prepared and presented in Polish and in accordance with Polish legislation and the accounting principles and practices generally adopted in Poland.

The accompanying translation has not been reclassified or adjusted in any way to conform to the accounting principles generally accepted in countries other than Poland, but certain terminology current in Anglo-Saxon countries has been adopted to the extent practicable. In the event of any discrepancies in interpreting the terminology, the Polish language version is binding.

Independent Registered Auditor's Report

To the General Shareholders' Meeting and the Supervisory Board of Kino Polska TV S.A.

Report on the audit of annual financial statements

Our opinion

In our opinion, the attached annual financial statements of Kino Polska TV S.A. ("the Company):

- give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the adopted accounting policies;
- comply in terms of form and content with the laws applicable to the Company and the Company's Articles of Association;
- have been prepared on the basis of properly maintained books of account in accordance with the provisions of Chapter 2 of the Accounting Act of 29 September 1994 ("the Accounting Act" – Journal of Laws of 2016, item 1047, as amended)

Our opinion is consistent with our additional report to the Audit Committee issued on the date of this report.

What we have audited

We have audited the annual financial statements of Kino Polska TV S.A. which comprise:

- the statement of financial position as at 31 December 2017;

and the following prepared for the financial year from 1 January to 31 December 2017:

- the statement of comprehensive income;
- the statement of changes in equity;
- the statement of cash flows, and
- the notes comprising a description of the adopted accounting policies and other explanations.

Basis for opinion

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing as adopted as National Standards on Auditing by the National Council of Statutory Auditors ("NSA") pursuant to the Act no 2783/52/2015 of 10 February 2015, National Standards on Auditing issued by the IAASB (together as "reporting Standards") and pursuant to the Act of 11 May 2017 on Registered Auditors, Registered Audit Companies and Public Oversight ("the Act on Registered Auditors" – Journal of Laws of 2017, item 1089 as amended) and Regulation (EU) No. 537/2014 of 16 April 2014 on specific requirements regarding the statutory audit of

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public-interest entities ("the EU Regulation" – Journal of Laws EU L158). Our responsibilities under those NSA are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

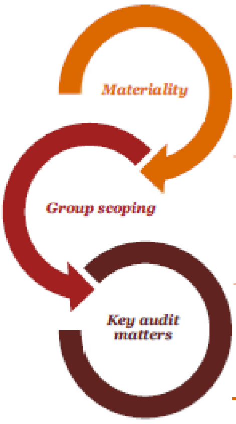
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and ethics

We are independent of the Company in accordance with the International Federation of Accountants' *Code of Ethics for Professional Accountants* ("the IFAC Code") as adopted by resolutions of the National Council of Statutory Auditors and other ethical requirements that are relevant to our audit of the financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IFAC's Code. During the audit, the key registered auditor and the registered audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Registered Auditors and in the EU Regulation.

Our audit approach

Overview



- The overall materiality threshold adopted for the purposes of our audit was set at PLN 1,262 thousand, which represents 5% of the profit before tax.

- We have audited the annual financial statement of the Company for the period ended 31 December 2017.

- Analysis of the value of investments in subsidiaries
- Recognition of sales revenue

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Company's Management Board made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by the adopted materiality level. Our audit was designed to obtain reasonable assurance that the financial statements as a whole are free from material misstatement. Misstatements may arise due to fraud or error.

They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole, as presented below. These thresholds, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

The concept of materiality is used by the registered auditor both in planning and conducting an audit, as well as in assessing the effect of the misstatements identified during the audit and the unadjusted misstatements (if any), on the financial statements, and also when forming the registered auditor's report.

Therefore, all opinions, assertions and statements contained in the registered auditor's report have been made taking into consideration the quantitative and qualitative materiality levels determined in accordance with the audit standards and the registered auditor's professional judgement.

Overall materiality	2017: PLN 1,262 thousand, 2016: PLN 1,097.8 thousand
Basis for determination	5% of the Company's profit before tax
Rationale for the materiality benchmark applied	We have adopted profit before tax as the basis for determining materiality because, in our opinion, it is an indicator commonly used by the users of financial statements to evaluate the Company's operations and is a generally adopted benchmark. We adopted the materiality threshold at 5% because based on our professional judgement it is within the acceptable quantitative materiality thresholds.

We agreed with the Company's Audit Committee that we would report to them of misstatements identified during our audit of the financial statements above PLN 63 thousand, as well as any misstatements below that amount, that in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. They include the most significant identified risks of material misstatements, including the identified risks of material misstatement resulting from fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We summarized our response to these risks and, when deemed appropriate, presented the most important observations relating to these risks. We do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Analysis of the value of investments in subsidiaries As at 31 December 2017 involvement in subsidiaries was presented in the separate financial statements of Kino Polska TV S.A. under long-term financial assets, as interest in subsidiaries in the amount of PLN 134,464 thousand and in short-term financial assets as borrowings granted of PLN 9,983 thousand which – together – constitutes 65% of the Company's total assets.	Our audit procedures covered in particular: • understanding and assessing the procedure for determining impairment of investments in subsidiaries performed by the Management Board and a critical analysis of the premises identified by the Management Board; • assessment of the completeness and correctness of disclosures about the impairment tests in respect of investments in subsidiaries.

The Company's Management Board is obliged to assess impairment of long-term assets when there are premises for their impairment.

For the purpose of preparing the financial statements for the period ended 31 December 2017 the Company's Management Board analysed investments in subsidiaries to identify premises for impairment of the investments.

In respect of investments for which premises for impairment were identified, an analysis was carried out covering, among other things, comparison of the value of shares with the net asset value of the related entities and the financial projections prepared for the tested businesses. Assessments made by the Management Board with respect to financial projections required making some assumptions as to estimates, among other things, relating to expected future cash flows, market prices and expected net sales prices.

The use of various measurement techniques and various assumptions may lead to coming up with materially different estimates of impairment of the Company's investments in subsidiaries. In Note 5.7 to the financial statements the Company disclosed information about impairment tests, including the test results, analysis of their sensitivity and a description of the assumptions made.

In respect of investments in subsidiaries: Filmbox International Ltd. and KPTV Media Sp. z o.o. the Company assessed that as at 31 December 2017 there were no indications of impairment. Therefore, it did not perform impairment tests in respect of those assets.

As at 31 December 2017 the Company performed an impairment test in respect of the value of investment in Cable Television Networks & Partners sp. z o.o. ("CTN&P").

Based on the analyses performed, the Company did not recognize any impairment losses in respect of investments in subsidiaries, either with regard to interest or borrowings granted.

Taking into consideration the inherent risk of uncertainty related to material estimates made by the Management Board and the materiality of the amounts of interest in the subsidiaries disclosed in the balance sheet, we determined

Based on the procedures performed, we concluded that the assumptions adopted by the Management Board are reasonable and confirmed by the documents obtained, and the disclosures contained in the financial statements meet the requirements of the standards.

that it constitutes a key audit issue.

Recognition of sales revenue

The Company presented the disclosures related to revenue on the sales of services, finished goods, goods for resale and materials in Note 5.4 to the financial statements.

In the financial year ended 31 December 2017 the Company earned revenue mainly from:

- broadcasting channels based on agreements with cable and digital television operators;
- broadcasting advertising spots;
- producing television channels within the Kino Polska Group;
- trading in licencing rights;
- making films which are not the property of the Company available in VoD services.

This issue was not the subject of our special attention due to the fact that correct application of appropriate financial reporting standards relating to the recognition and presentation of revenue is a complex matter and requires appropriate accounting estimates and judgements on the part of the Management Board.

Our audit procedures covered in particular:

- understanding and assessing the internal control environment with regard to the recognition, measurement, and presentation of particular types of sales revenue;
- assessing compliance of the accounting policies relating to the recognition of revenue with appropriate financial reporting standards, in particular, related to material accounting estimates and judgements;
- analysing selected contracts concluded by the Company;
- detailed testing, based on a selected sample, consisting of reconciling the sales invoices issued, respective customer contracts, price lists used, confirmations of performance of services and payments received.

As a result of the audit procedures performed, we have not identified material issues which would require adjustment in the financial statements.

Responsibility of the Management and Supervisory Board for the financial statements

The Management Board of the Company is responsible for the preparation, based on the properly maintained books of account of annual financial statements that give a true and fair view of the Company's financial position and results of operations, in accordance with the International Financial Reporting Standards as adopted by the European Union, provisions of the Accounting Act, the adopted accounting policies, the applicable laws and the Company's Articles of Association, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Management Board 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 Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company's Management Board and members of its Supervisory Board are obliged to ensure that the financial statements comply with the requirements specified in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process.

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

The scope of the audit does not cover an assurance on the Company's future profitability or the efficiency and effectiveness of the Company's Management Board conducting its affairs, now or in future.

As part of an audit in accordance with the NSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board.
- Conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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 also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated 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 Report on the operations

Other information

Other information comprises a Report on the Company operations for the financial year ended 31 December 2017 ("the Report on the operations") and the corporate governance statement which is a separate part of the Report on the operations, (together "Other Information").

Responsibility of the Management and Supervisory Board

The Management Board of the Company is responsible for preparing Other Information in accordance with the law.

The Company's Management Board and the members of the Supervisory Board are obliged to ensure that the Report on the Company's operations including its parts complies with the requirements of the Accounting Act.

Registered auditor's responsibility

Our opinion on the audit of the financial statements does not cover Other Information.

In connection with our audit of the financial statements, our responsibility is to read Other Information and, in doing so, consider whether it is materially consistent with the information in the financial statements, our knowledge obtained in our audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified a material misstatement in Other Information, we are obliged to inform about it in our audit report. In accordance with the requirements of the Act on the Registered Auditors, we are also obliged to issue an opinion on whether the Report on the operations has been prepared in accordance with the law and is consistent with information included in annual financial statements.

Moreover, we are obliged to issue an opinion on whether the Company provided the required information in its corporate governance statement.

Opinion on the Report on the operations

Based on the work we carried out during the audit, in our opinion, the Report on the Company's operations:

- Has been prepared in accordance with the requirements of Article 49 of the Accounting Act and para. 91 of the Regulation of the Minister of Finance dated 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 ("Regulation on current information" – Journal of Laws 2014, item 133, as amended);
- is consistent with the information in the financial statements.

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

Opinion on the corporate governance statement

In our opinion, in its corporate governance statement, the Company included information set out in paragraph 91.5 (4)(a)-(b), (g),(j) and (k) of the Regulation on current information.
In addition, in our opinion, information specified in paragraph 91.5 (4)(c)–(f), (h) and (i) of the said Regulation included in the corporate governance statement are consistent with the applicable provisions of the law and with information included in the financial statements.

Report on other legal and regulatory requirements

Statement on the provision of non-audit services

To the best of our knowledge and belief, we declare that the non-audit services we have provided to the Company and its subsidiaries are in accordance with the laws and regulations applicable in Poland and that we have not provided any non-audit services prohibited under Article 5(1) of the EU regulation and Article 136 of the Act on Registered Auditors.

During the audited period, we provided to the Company, and its controlled companies the following non-audit services which were not disclosed in the Company's financial statements in note 36.

Appointment

We have been appointed to audit the annual financial statements of the Company by Resolution of the Supervisory Board of 7 July 2015 and again by Resolution of 16 June 2017. The financial statements of the Company were audited by us continuously starting from the financial year ended 31 December 2014, that is for 4 consecutive years.

The Key Registered Auditor responsible for the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of Registered Audit Companies with the number 144., is Piotr Wyszogrodzki

Piotr Wyszogrodzki
Key Registered Auditor
No. 90091

Warsaw, 22 March 2018

IV. SEPARATE FINANCIAL STATEMENTS OF KINO POLSKA TV S.A. AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION ("IFRS")

On 22 March 2018, the Management Board of Kino Polska TV S.A. approved the Company's separate financial statements for the period from 1 January 2017 to 31 December 2017 prepared in accordance with IFRS as adopted by the European Union which include standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), comprising:

Separate statement of comprehensive income
for the period from 1 January 2017 to 31 December 2017, showing total comprehensive income of: PLN 21,882,000.

Separate statement of financial position
as at 31 December 2017, showing total assets and total equity and liabilities of: PLN 220,466,000.

Separate statement of cash flows
for the period from 1 January 2017 to 31 December 2017, showing a net decrease in cash and cash equivalents of: PLN 2,554 thousand.

Separate statement of changes in equity
for the period from 1 January 2017 to 31 December 2017, showing a decrease in equity of: PLN 556,000.

Notes to the separate financial statements

Management Board of Kino Polska TV S.A.

Bogusław Kisielewski President of the Management Board	Berk Uziyel Board Member
Marcin Kowalski Board Member	Alber Uziyel Board Member

Person responsible for maintaining the books of account

Dominika Talaga-Sprawska
Chief Accountant

Warsaw, 22 March 2018

1. Separate statement of comprehensive income

	Note	*12 months ended 31 December 2017 (PLN '000)*	*12 months ended 31 December 2016 (PLN '000)*
Continued operations:			
Revenue	5.3, 5.4	114,063	119,301
Operating expenses	5.3, 5.5	(89,056)	(92,798)
Impairment loss on exposure to a subsidiary	5.7.3	-	(3,922)
Other operating income	5.9.5	414	526
Other operating expenses	5.9.5	(1,001)	(737)
Operating profit		**24,420**	**22,370**
Financial income	5.9.6	1,387	167
Finance costs	5.9.6	(568)	(581)
Profit before tax		**25,239**	**21,956**
Income tax expense	5.9.7	(3,357)	(3,858)
Net profit on continued operations		**21,882**	**18,098**
Net profit for the reporting period		**21,882**	**18,098**
Total comprehensive income		**21,882**	**18,098**
Earnings/(Loss) per share from continued and discontinued operations, basic and diluted:			
- from continued operations		1.10	0.91
- from profit for the year		**1.10**	**0.91**

2. Separate statement of financial position

	Note	*As at 31 December 2017 (PLN '000)*	*As at 31 December 2016 (PLN'000)*
ASSETS			
Non-current assets			
Property, plant and equipment	5.10.1	2,952	3,811
Non-current programming inventory	5.8	29,166	29,404
Other intangible assets	5.10.2	245	220
Investments in subsidiaries and jointly controlled entities	5.7.1	146,155	135,749
Trade and other receivables	5.10.4	-	6,643
Deferred tax asset	5.9.7	525	718
Total non-current assets		**179,043**	**176,545**
Current assets			
Inventories	5.10.9	51	124
Current programming inventory	5.8	4,229	6,548
Loans granted	5.10.5	11,005	12,181
Trade and other receivables	5.10.4	25,864	32,215
Cash and cash equivalents	5.10.6	274	2,828
Total current assets		**41,423**	**53,896**
TOTAL ASSETS		**220,466**	**230,441**
EQUITY AND LIABILITIES			
Equity			
Share capital		1,982	1,982
Share premium		148,940	148,940
Retained earnings		28,984	29,540
Total equity	5.6.1	**179,906**	**180,462**
Non-current liabilities			
Loans and advances received	5.6.3	-	6,272
Derivative financial instruments		559	-
Trade and other payables	5.10.7	1,885	3,174
Provisions	5.10.10	57	73
Deferred income			
Finance lease liabilities	5.6.4	113	8,780
Total non-current liabilities		**2,614**	**18,299**
Current liabilities			
Loans and advances received	5.6.3	13,658	-
Derivative financial instruments	5.10.8	210	-
Trade and other payables	5.10.7	11,172	12,069
Provisions	5.10.10	355	465
Deferred income	5.10.11	3,667	8,076
Finance lease liabilities	5.6.4	8,667	7,608
Income tax liabilities	5.9.7	217	3,462
Total current liabilities		**37,946**	**31,680**
TOTAL EQUITY AND LIABILITIES		**220,466**	**230,441**

3. Separate statement of cash flows

	Note	*12 months ended 31 December 2017 (PLN '000)*	*12 months ended 31 December 2016 (PLN '000)*
Cash flows from operating activities			
Net profit		21,882	18,098
Adjusted for:			
Depreciation and amortization		16,863	20,719
Scrapping of property, plant and equipment and intangible assets		8	11
Asset impairment allowances		146	4,035
Interest and dividends, net		(811)	425
Profit/loss on investing activity		(104)	(43)
Gain/loss on fair value changes of derivative financial instruments		769	
Acquisition of programming inventory		(18,541)	(28,375)
(Increase)/Decrease in receivables		4,996	(2,702)
(Increase)/Decrease in inventories		73	26
Increase/(decrease) in liabilities		3,076	6,089
Increase / (decrease) in deferred income		(4,409)	4,585
Change in provisions		(126)	145
Income tax paid / refunded		(6,257)	(854)
Corporate income tax liability		3,357	3,858
Net cash from operating activities		**20,922**	**26,017**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		7,940	9,046
Purchase of property, plant and equipment and intangible assets		(334)	(441)
Acquisition of additional shares in a jointly controlled entity		(406)	-
Acquisition of additional shares in a subsidiary		(10,000)	(10,005)
Sale of a subsidiary		-	60
Dividends received		1,000	-
Interest received		404	195
Repayment of loans granted		11,110	6,281
Loans granted		(9,950)	(11,500)
Refund from the brokerage account relating to taking up shares in Stopklatka S.A.		-	1,659
Refund of a security deposit		-	580
Net cash from investing activities		**(236)**	**(4,125)**
Cash flows from financing activities			
Payment of finance lease liabilities		(7,621)	(7,884)
Proceeds from loans/advances received		7,386	6,272
Dividends paid to shareholders of the parent		(22,398)	(19,821)
Costs relating to dividend payment		(40)	(20)
Interests paid		(567)	(152)
Net cash from financing activities		**(23,240)**	**(21,605)**
Net change in cash and cash equivalents		(2,554)	287
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		**274**	**2,828**

4. Separate statement of changes in equity

	Number of shares	*Share capital (in PLN'000)*	*Share premium (in PLN '000)*	*Retained earnings (in PLN'000)*	*Total equity (in PLN'000)*
As at 1 January 2017	**19,821,404**	**1,982**	**148,940**	**29,540**	**180,462**
Costs of dividend payment				(40)	**(40)**
Dividend paid				(22,398)	**(22,398)**
Total comprehensive income for the period	-	-	-	21,882	**21,882**
As at 31 December 2017	**19,821,404**	**1,982**	**148,940**	**28,984**	**179,906**

	Number of shares	*Share capital (in PLN'000)*	*Share premium (in PLN '000)*	*Retained earnings (in PLN'000)*	*Total equity (in PLN'000)*
As at 1 January 2016	**19,821,404**	**1,982**	**148,940**	**31,283**	**182,205**
Costs of dividend payment				(20)	**(20)**
Dividend paid				(19,821)	**(19,821)**
Total comprehensive income for the period	-	-	-	18,098	**18,098**
As at 31 December 2016	**19,821,404**	**1,982**	**148,940**	**29,540**	**180,462**

5. Notes to the separate financial statements

5.1 General information on the Company and the Group

Company name: Kino Polska TV S.A. ("the Company" or "the Issuer").

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

REGON statistical number: 015514227

Tax Identification Number (NIP): 5213248560

Registration: The National Court Register maintained by the District Court for the Capital City of Warsaw, 13th Business Department

KRS (number in the National Court Register): 0000363674

As at 31 December 2017, Kino Polska TV S.A. had the following subsidiaries:

Entity	Registered office	Number of shares held	Interest in the share capital	Type of preference
Direct subsidiaries				
Cyfrowe Repozytorium Filmowe Sp. z o.o.	ul. Puławska 61, 02-595 Warsaw	150	100.00%	no preference
KPTV Media Sp. z o.o.	ul. Puławska 61, 02-801 Warsaw	200	100.00%	no preference
Cable Television Networks & Partners Sp. z o.o.	ul. Puławska 61, 02-801 Warsaw	549	70%*	no preference
Filmbox International Ltd.	Chiswick Park 566 Chiswick High Road, London W4 5YA, United Kingdom	3,350,000	100.00%	no preference
Indirect subsidiaries				
SPI International Magyarorszag, Kft.	Zaborhegy utca 19 1141 Budapest, Hungary	1	100%	no preference
Help Film s.r.o.	Na Bojisti 1473/18 120 00 Praga 2 – Nove Mesto, Czech Republic	200,000	100%	no preference
Help Film Slovakia s.r.o.	Zamocka 3 811 01 Bratislava, Slovakia	5,000	100%	no preference
Jointly controlled entities				
Stopklatka S.A.	ul. Puławska 435A, 02-595 Warsaw	4,635,679	41.50%	The shares have no preference

*As at 31/12/2017, Kino Polska TV S.A. held 70% of shares in the share capital of Cable Television Networks & Partners Sp. z o.o. On 23 January 2018, Kino Polska TV S.A. purchased an additional 30% of shares from Fundacja Wspierania Rozwoju Komunikacji Elektronicznej "PIKSEL". As a result of the transaction, Kino Polska TV S.A. holds 100% of shares in Cable Television Networks & Partners Sp. z o.o.

During the period covered in this Report, the main areas of the Company's operations included:

- broadcasting TV channels Kino Polska, Kino Polska Muzyka, FilmBox film channels and topical channels (including sales of advertising spots);
- production of TV channels;
- sales of licence rights.

Composition of the Management Board of Kino Polska TV S.A. in the twelve months ended 31 December 2017
and until the date of preparing these financial statements:

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

Composition of the Supervisory Board of Kino Polska TV S.A. in the twelve months ended 31 December 2017
and until the date of preparing these financial statements:

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

Explanation of the seasonality in the Company's operations

For the majority of the goods and services sold, the operations of Kino Polska TV S.A. are not seasonal or cyclical in nature, which would result in the significant volatility of the financial results during the financial year. Advertising revenue in Poland is usually lowest in the third quarter of the calendar year (which includes the summer holiday period) and highest in the fourth quarter.

5.2 Accounting policies

The principal accounting policies applied when preparing these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Company's separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The separate financial statements have been prepared according to the historical cost convention.

Accounting estimates and judgments

The preparation of the separate financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management Board to make subjective judgments when applying the Issuer's accounting policies. Matters which require material judgements or are particularly complex, or areas where the adopted assumptions and estimates have a material impact on the financial statements are presented in the following notes:

Note No.	Accounting estimates and judgements
5.4	Recognition of revenue from broadcasting TV channels and VOD
5.11.1	Share-based payments
5.7.1	Indications of impairment of and investment in Filmbox International Ltd.
5.7.1	Indications of impairment of an investment in a joint venture Stopklatka S.A.
5.7.3	Impairment test of an investment in Cable Television Networks& Partners Sp. z o.o.
5.7.4	Impairment test of an investment in Cyfrowe Repozytorium Filmowe Sp. z o.o.
5.10.4	Write-downs of receivables
5.8	Depreciation rates applied to programming inventory
5.7.2	Recognition of a financial liability

New standards, amendments and interpretations adopted by the Company

In the financial year starting on 1 January 2017, the Company applied the following new and amended standards: The amendments had no material impact on the Issuer's financial statements.

Standard	Description of changes
Amendments to IAS 7: Disclosure initiative	The amendment to IAS 7 applies to annual periods beginning on or after 1 January 2017 and introduces an obligation to disclose a reconciliation of changes in liabilities resulting from financing activities. The Company applied changes resulting from the regulations referred to above – see note 5.6.3.
Amendments to IAS 12 concerning the recognition of deferred tax asset on unrealized losses	Amendments to IAS 12 clarifies the requirements for the recognition of deferred tax asset on unrealized losses relating to debt instruments. The entity is obliged to recognize a deferred tax asset on unrealized losses when these result from discounting cash flows associated with a debt instrument using the market interest rate, even when the entity intends to hold a debt instrument until maturity, and when the nominal amount has been paid, there will be no duty to pay taxes. Economic benefits embodied in a deferred tax asset reflect the possibility for a holder of a debt instrument to obtain future profits (reversing the effect of discounting) without the need to pay taxes. At present, the Company has no investments in debt instruments. Consequently, the application of amendments to IAS 12 had no impact on the Company's financial statements.

New standards, amendments and interpretations not yet applied by the Company

The Company decided not to early adopt in this Report any of the published standards and interpretation before their effective dates.

The Issuer analysed the impact of the published standards and interpretations. For results of the analysis are presented in the table below:

Standard	Description of changes	Impact on the Company's financial statements
IFRS 9 "Financial instruments"	IFRS 9 replaces IAS 39. The standard applies to annual periods beginning on or after 1 January 2018. The standard introduced a single model with only two categories for classifying financial assets: measured at fair value and measured at amortized cost. The classification is performed at initial recognition and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of these instruments. IFRS 9 introduces a new model for determining write-downs, namely the expected credit loss model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity is be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income. As regards hedge accounting, amendments were intended to align hedge accounting more closely with risk management.	The Company shall apply IFRS 9 from 1 January 2018. As regards credit risk, the Company made an initial analysis of the receivables portfolio (for the description of the portfolio, see note 5.10.3), including credit risk associated with specific customer groups. As at the date of approval of these financial statements, the Company's view is that IFRS 9 will not significantly affect the Company's future financial results (the current impact of receivables write-downs is presented in notes 5.95 and 5.10.3). Nevertheless, the Company expects a moderate impact of IFRS 9 on the opening and closing balances of write-downs due to the need to recognized write-downs based on the expected losses model. As at the date of approval of these financial statements, the Company estimates that the impact of IFRS 9 on the opening balances will amount to approximately 10-20% of the current value of write-downs. The Company has also analysed the impact of IFRS 9 on the value of loans granted and has concluded that as at the balance sheet date, the impact is immaterial.
IFRS 15 "Revenue from contracts with customers"	IFRS 15 "Revenue from contracts with customers" was endorsed by the European Commission and applies to annual periods	The Company shall apply IFRS 15 from 1 January 2018.

	beginning on or after 1 January 2018. IFRS 15 will apply to all contracts resulting in revenue. The fundamental principle of the new standard is to recognize revenue at the moment when goods or services have been transferred to a customer, at the amount of the transaction price. Any goods or services sold in packages which can be identified within the package must be recognized separately. Moreover, any rebates and discounts from the transaction prices must, as a rule, be allocated to specific package components. When the amount of the revenue is variable, the new standard requires variable amounts to be recognized as revenue provided that it is highly probable that the revenue will not be reversed in future as a result of remeasurement. Moreover, in accordance with IFRS 15, costs incurred with a view to acquiring and securing customer contracts should be capitalized and recognized in the income statement over the period of consuming the benefits of the contract.	 The Company analysed the provisions of IFRS 15 in the context of individual categories of the Company's revenue-generating contracts. In the Company's opinion, its existing model of recognizing specific revenue categories, described in note 5.4, is consistent with the applicable rules in the context of the timing of transferring the goods/service to a customer and in the context of the Company's performance obligations.
IFRS 16 "Leases"	IFRS 16 "Leases" was issued by the International Accounting Standards Board on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019. The new standard sets out the principles for recognition, measurement, presentation and disclosure of leases. All lease transactions result in a lessee obtaining a right to use the assets and an obligation to make payments. Thus, IFRS 16 abolishes the classification of leases into operating leases and finance leases required under IAS 17 and introduces a single model for the accounting treatment of leases by lessees. A lessee shall be	The Company shall apply IFRS 16 from 1 January 2019. In the opinion of the Management Board, IFRS 16 will have a moderate impact on the Company's financial statements. As part of its operations, the Company leases an office. The lease is currently classified in the Company's financial statements as an operating lease. In accordance with the principles introduced by IFRS 16, the Company will have to recognize assets and liabilities resulting from such leases in

	obliged to recognize: (a) assets and liabilities for all lease transactions concluded for more than 12 months, except when a given asset is of low value; and (b) depreciation of a leased asset separately from interest on the lease liability in the statement of profit and loss. IFRS 16 repeats, to a large extent, the provisions of IAS 17 governing the accounting treatment of leases by lessors. Consequently, lessors shall continue to classify leases into operating and financial leases, with a different treatment. As at the date of preparing these financial statements, amendments had not yet been endorsed by the European Union.	its statement of financial position. The value of minimum future lease payments under operating leases is discussed in note 5.11.2. Following the implementation of IFRS 16, the Company expects an increase in lease assets and liabilities of circa PLN 7-9 million, depending on the specific nature of the agreements concluded. Assets and liabilities recognized will be accounted for differently than under the current operating lease accounting. At present, lease payments are accounted for on a straight-line basis. It is expected that the assets resulting from leases shall continue to be accounted for on a straight-line basis, while lease liabilities shall be accounted for using the effective interest rate method. This will result in higher charges in the period once a lease agreement has been concluded or amended, and diminishing charges over time.
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	The amendment to IFRS 2 applies to annual periods beginning on or after 1 January 2018. The amendment has introduced, among others, guidelines on the fair value measurement of a liability from share-based payment transactions settled in cash and cash equivalents, guidelines on the modification of share-based payment transactions from cash-settled to equity-settled and guidelines on the recognition of an employee’s tax liability in respect of share-based payment transactions. As at the date of preparing these financial statements, the amendment had not yet been endorsed by the European Union.	The Company shall apply these amendments as of 1 January 2018. As at the moment of approving these financial statements, the Company is unable to evaluate the impact of these amendments because it does not plan any future transactions which would need to be accounted for in accordance with these amendments.

Annual Improvements to IFRS 2014-2016	In December 2016, IASB published the "Annual Improvements to IFRSs 2014-2016 Cycle" which amend three standards: IFRS 12 "Disclosures of Interests in Other Entities", IFRS 1 "First-Time Adoption of IFRS" and IAS 28 "Investments in associates". The amendments contain clarifications and changes to the scope of the standards, recognition and measurement, as well and terminology and editorial changes. As at the date of preparing these financial statements, the amendment had not yet been endorsed by the European Union.	The Company will adopt these amendments as agreed by the European Union (IFRS 12) and as of 1 January 2018 (IFRS 1 and IAS 28). The Company estimates that the impact of the above changes on the financial statements will be limited to presentation.
Amendment to IAS 28 "Investment in associates and joint ventures"	The amendment applies to annual periods beginning on or after 1 January 2019. Amendments to IAS 28 "Investments in associates and joint ventures" explain that with regard to long-term shares in an associate or a joint venture not accounted under the equity method, the companies should apply IFRS 9. In addition, the Board published an example which shows how to apply the requirements of IFRS 9 and IAS 28 to long-term shares on an associate or a joint venture.	The Company shall apply these amendments as of 1 January 2019. As at the date of approving these financial statements, the Company believes that the changes described will have no impact on the valuation of the Company's investments in associates.
IFRIC 22: Foreign Currency Transactions and Advance Consideration	IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation applies to annual periods beginning on or after 1 January 2018. As at the date of preparing these financial statements, the amendment had not yet been endorsed by the European Union.	The Company shall apply these amendments as of 1 January 2018. At present, the potential impact of these amendments on the Company's financial statements is unknown.
IFRIC 23: Uncertainty over income tax	IFRIC 23 clarifies the requirements for the recognition and measurement under IAS 12 when there are uncertainties in the	The Company shall apply these amendments as of 1 January 2019.

treatments	recognition of income taxes. The interpretation applies to annual periods beginning on or after 1 January 2019. As at the date of preparing these financial statements, the amendment had not yet been endorsed by the European Union.	At present, the potential impact of these amendments on the Company's financial statements is unknown.
Annual Improvements to IFRS 2015-2017	In December 2017, IASB published the "Annual Improvements to IFRSs 2015-2017 Cycle" which amend four standards: IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs". The amendments include clarifications and contain more precise guidelines for the recognition and measurement. As at the date of preparing these financial statements, the amendment had not yet been endorsed by the European Union.	The Company shall apply these amendments as of 1 January 2019. At present, the potential impact of these amendments on the Company's financial statements is unknown.
Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associate or joint venture	The amendments solve the problem of inconsistencies between IFRS 10 and IAS 28. The accounting treatment depends on whether non-monetary assets sold or contributed to an associate or joint venture represent a business. If the assets contributed represent a business, an investor shall disclose a full amount of profit or loss on the transaction. However, if the assets do not meet the definition of a business, the investor shall recognize profit or loss excluding the part representing shares of other investors. The amendments were published on 11 September 2014. The effective date of the amended regulations has not been decided by the International Accounting Standard Board. As at the date of preparing these financial	The Company shall apply the amendment as of the effective date of the new regulations as determined by the International Accounting Standard Board. As at the moment of approving these financial statements, the Company is unable to evaluate the impact of these amendments because it does not plan any future transactions which would need to be accounted for in accordance with these amendments.

	statements, the endorsement of these amendments has been deferred by the European Union.	

Valuation of items denominated in foreign currencies

Functional currency and currency of presentation

The functional and presentation currency of the Company is the Polish zloty (PLN).

Transactions and balances

Transactions expressed in foreign currencies are translated into functional currency based on the exchange rate as at the date of the transaction.

Monetary items are valued as at the balance sheet date using mid-exchange rates of the National Bank of Poland (NBP) prevailing on that date.

Foreign exchange gains and losses relating to liabilities in respect of loans and advances are presented in the separate statement of comprehensive income under Finance income or Finance cost. Any other foreign exchange gains and losses are presented in the separate statement of comprehensive income under Other operating income or Other operating expenses.

5.3 Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Management Board of Kino Polska TV S.A. has been identified as the chief operating decision-maker responsible for the allocation of resources and evaluation of the results of the operating segments.

The Company's operating segments are its strategic segments which offer different products and services. They are managed in a different way and pursue different marketing strategies. Each segment earns revenue and incurs costs associated with its operations.

The Management Board of Kino Polska TV S.A. evaluates segment operations by analysing segments' results, defined as sales revenue less direct operating expenses and allocated indirect operating expenses. There are no inconsistencies between operating segment reporting and the treatment of the segments in the accounting records, and between their treatment for management reporting purposes.

The Management Board of Kino Polska TV S.A. does not regularly analyse assets and liabilities for each reportable segment:

Starting from the first quarter of 2015, the Company decided to allocate previously unallocated indirect operating expenses to specific segments.

	12 months ended 31 December 2017 (PLN '000)					
	FilmBox film channels and topical channels	**Kino Polska channels**	**Production of TV channels**	**Sales of licence rights**	**Other segments**	**TOTAL**
Sales - broadcasting	31,690	14,877	-	-	-	**46,567**
Sales - advertising	5,796	13,954	-	-	-	**19,750**
Sales - other	-	-	28,318	7,905	3,746	**39,969**
Sales - fees for film licences	7,777	-	-	-	-	**7,777**
Total sales	**45,263**	**28,831**	**28,318**	**7,905**	**3,746**	**114,063**
Operating expenses	**(38,383)**	**(16,469)**	**(26,292)**	**(5,052)**	**(2,860)**	**(89,056)**
Segment profit/(loss)	**6,880**	**12,362**	**2,026**	**2,853**	**886**	**25,007**
Other operating income	-	-	-	-	-	**414**
Other operating expenses	-	-	-	-	-	**(1,001)**
Operating profit	**-**	**-**	**-**	**-**	**-**	**24,420**
Financial income	-	-	-	-	-	**1,387**
Finance costs	-	-	-	-	-	**(568)**
Profit before tax	-	-	-	-	-	**25,239**
Income tax expense	-	-	-	-	-	**(3,357)**
Net profit on continued operations	-	-	-	-	-	**21,882**

	12 months ended 31 December 2016 (in PLN '000)					
	FilmBox film channels and topical channels	**Kino Polska channels**	**Production of TV channels**	**Sales of licence rights**	**Other segments**	**TOTAL**
Sales - broadcasting	31,601	15,024	-	-	-	**46,625**
Sales - advertising	5,940	15,778	-	-	-	**21,718**
Sales - other	-	-	30,884	7,876	4,332	**43,092**
Sales - fees for film licences	7,866	-	-	-	-	**7,866**
Total sales	**45,407**	**30,802**	**30,884**	**7,876**	**4,332**	**119,301**
Operating expenses	**(39,223)**	**(17,414)**	**(28,672)**	**(4,631)**	**(2,858)**	**(92,798)**
Segment profit/(loss)	**6,184**	**13,388**	**2,212**	**3,245**	**1,474**	**26,503**
Impairment loss on exposure to a subsidiary	-	-	-	-	-	**(3,922)**
Other operating income	-	-	-	-	-	**526**
Other operating expenses	-	-	-	-	-	**(737)**
Operating profit	**-**	**-**	**-**	**-**	**-**	**22,370**
Financial income	-	-	-	-	-	**167**
Finance costs	-	-	-	-	-	**(581)**
Profit before tax	-	-	-	-	-	**21,956**
Income tax expense	-	-	-	-	-	**(3,858)**
Net profit on continued operations	-	-	-	-	-	**18,098**

5.4 Revenue

The Issuer applies the following policy for revenue recognition:

- Revenue from broadcasting channels are recognized in the month to which they relate based on a number of subscribers in a given period and the rates per subscription or lump-sum rates resulting from agreements with cable and digital TV operators. In the Company's assessment, the Company bears the majority of risks and rewards associated with the provision of services consisting in re-broadcasting TV channels not owned by the Company, and therefore revenue on such services are presented on a gross basis (i.e. separately from costs incurred to owners of the rights to television channels). This judgement is based on the following criteria:
  - the Company has the right to determine selling prices of the re-broadcasting services;
  - the Company is free to choose and accept operators with which it cooperates;
  - the Company bears the entire credit risk.
- Recognition of revenue from VoD services

  As regards the revenue earned from providing access to films not owned by the Company in VoD services, it has been assessed that the Company does not bear the majority of risks and benefits associated with the provision of such services, i.e. it performs the role of an agent. Consequently, the Company presents the related revenue and costs on a net basis, i.e. presents as revenue only the commission received by the Company from such operations. This judgement is based on the following criteria:
  - the Company is not involved in the further development and distribution of licences;
  - the Company has a guaranteed level of margin;
  - the Company bears a limited credit risk.
- Revenue from broadcasting advertisements are recognized no later than on the final day of broadcasting a given advertisement. Revenue is recognized at the amounts payable by the buyers of advertising time, net of VAT, any rebates granted and the commission deducted by the Company' advertising broker.
- Revenue from the production of channels is recognized in the period to which they relate, based on the cost incurred plus a margin specified in an agreement with the buyer of such services.
- Sales of goods for resale and finished goods are recorded at the moment of transferring the significant risks and rewards resulting from ownership of goods for resale or finished goods to the buyer and if the amount of sales revenue can be reliably estimated.
- Revenue on non-cash transactions (broadcasting advertisements in exchange for goods and services) is recognized at the time of broadcasting the advertisement, provided that the services being exchanged are not homogeneous. Goods or services obtained in such transactions are recognized as assets or charged to costs when received or used. The Company recognizes non-cash transactions based on the estimated fair value of the goods or services received in exchange. If goods or services are received before the advertisement was broadcast, a liability is recorded. Likewise, if an advertisement is broadcast first, a receivable is recorded. Revenue from and costs of non-cash transactions are not netted off in the statement of comprehensive income, except for transactions in which the services exchanged are uniform.
- Revenue from and costs of trading in licence rights are recognized in the statement of comprehensive income when significant risks and rewards resulting from these rights have been transferred to the buyer, but no earlier than when the licence period started.

- In the *Advertising* segment, revenue from the Company's main advertising broker represent 95%, while the total revenue from Filmbox International Ltd. of PLN 32 million were disclosed in segments Production of TV channels and Sales of licence rights.

Non-monetary revenue	***12 months ended 31 December 2017 (PLN '000)***	***12 months ended 31 December 2016 (PLN '000)***
Non-monetary revenue from non-related entities	954	1,826
Total	**954**	**1,826**

Geographical analysis of sales	***12 months ended 31 December 2017 (PLN '000)***	***12 months ended 31 December 2016 (PLN '000)***
Poland	74,616	76,056
EU	38,638	42,169
Other	809	1,076
Total	**114,063**	**119,301**

5.5 Operating expenses

	12 months ended 31 December 2017 (PLN '000)	***12 months ended 31 December 2016 (PLN '000)***
Depreciation and amortization	(14,024)	(12,291)
- including amortization and impairment of long-term programming inventory	*(12,827)*	*(11,016)*
Impairment of programming inventory	(52)	-
Employee benefit expense, including:	(12,911)	(12,128)
- wages and salaries	(11,330)	(10,372)
- costs of social insurance and other benefits	(1,707)	(1,611)
- costs of future benefits (provisions) in respect of retirement benefits, long-service bonuses and similar employee benefits	126	(145)
Materials and energy used	(662)	(852)
Broadcasting services	(4,962)	(5,019)
Content costs	(10,446)	(16,583)
- including amortization of current programming inventory	*(2,839)*	*(8,428)*
Other services	(38,009)	(38,567)
Taxes and fees	(2,093)	(1,880)
Other costs	(1,028)	(814)
Cost of goods for resale and materials sold	(4,868)	(4,664)
Total operating expenses	**(89,056)**	**(92,798)**

In 2017, operating expenses were 4% lower than in the prior year. The largest changes compared with the prior year can be noted in current and non-current amortization. In 2017, the Company purchased less short-term film licences than in 2016, which is reflected in a significant decrease of content costs in 2017 (a decrease of 37% or PLN 6,137 thousand). At the same time, the Company increased purchases of long-term licences which is the reason behind an increase in non-current amortization of 16% compared with the corresponding period of the prior year. Other items of operating expenses remained at levels similar to the prior year's.

5.6 Capital and liquidity management, debt

5.6.1 Capital management, EBITDA

Share capital is stated at the nominal value, i.e. the amount stipulated in the Company's Articles of Association and entered in the court register.

In connection with issuing or acquiring own equity instruments and the payment of dividend, the Company usually incurs various costs (e.g. registration fees, fees of the legal and accounting consultants, costs of preparing and printing a prospectus and stamp duty). Such transaction costs (at amounts decreased by the income tax benefits) associated with transactions involving the equity, reduce the share premium to an amount equal to incremental costs directly attributable to a given transaction. Other costs (those which could have been avoided) are charged to costs of the period. Borrowing costs are recognized in equity when incurred.

Share capital

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

The table below shows the shareholders of Kino Polska TV S.A. who, according to the Company's best knowledge, hold at least 5% of the votes at the Company's General Shareholders' Meeting as at the date of submission of this Report.

Shareholder	Type of shares	Number of shares[1]	% share in share capital	Number of votes at the GSM	Share in the total number of votes at the GSM
SPI International B.V.	ordinary bearer	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	1,702,462	8.59%	1,702,462	8.59%
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (including z Nationale-Nederlanden OFE and Nationale-Nederlanden DFE)[2]	ordinary bearer	1,038,944	5.24%	1,038,944	5.24%
Other	ordinary bearer	4,166,713	21.02%	4,166,713	21.02%
TOTAL	**ordinary bearer**	**19,821,404**	**100.00%**	**19,821,404**	**100.00%**

[1] *information in the table is based on information obtained from the shareholders, pursuant to Article 69 of the Act of 29 July 2005 on public offering and the conditions for introducing financial instruments to organized trading systems and on public companies and based on a notification provided by SPI International B. V. on the actual number of the Issuer's shares held.*
[2] *formerly: ING Powszechne Towarzystwo Emerytalne S.A. (including ING OFE and ING DFE)*

Cooperatieve SPI International U.A. is the parent company of SPI International B.V. holding a 100% interest. At the same time, Cooperatieve SPI International U.A. is the entity which prepares the consolidated financial statements at the top level of the group. Ms Hilda Uziyel is the ultimate parent entity.

Information on dividend

Any dividend for the Company's shareholders (including transaction cost relating to the payment of the dividend) reduces the equity directly.

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

On 30 May 2017, the Ordinary General Shareholders' Meeting of Kino Polska TV S.A. adopted a resolution on the appropriation of the Company's net profit for the financial year ended 31 December 2016 and the retained earnings of 22,398,186,52 as follows:

- the Issuer's net profit for the financial year ended 31 December 2016 of PLN 18,098,006.66, and
- the Issuer's retained earnings of PLN 4.300.179,86

The dividend for an Issuer's shareholder for 2016 and the prior years amounted to PLN 1.13, gross per one share of Kino Polska TV S.A.

The dividend was be paid in two instalments:

- date of payment of the first instalment of PLN 0.57, gross, per share – 18 July 2017;
- date of payment of the second instalment of PLN 0.56, gross, per share – 3 October 2017.

Shareholders entitled to dividend were those who held the Company's shares on 4 July 2017 ("the Record Date").

The number of shares covered by the dividend: 19,821,404.

The Management Board of the Company is currently analysing the level of the potential dividend. As soon as the decision is made, the Issuer will immediately publish it in a current report.

The objective of the Issuer's capital risk management is to maintain the optimum structure of capital to ensure the ability to continue as a going concern and to realize a return for the shareholders and benefits to other stakeholders. In connection with the above, the Company monitors debt ratios, maintains a proactive policy with regard to dividend, issuing new shares or repurchasing and redeeming or reselling previously issued shares and selling assets in order to reduce debt.

The debt ratios analysed by the Issuer as at 31 December 2017 and 31 December 2016 were as follows:

	As at 31 December 2017 (in PLN'000)	*As at 31 December 2016 (in PLN'000)*
Equity	179,906	180,462
Net book value of non-current assets, including:	179,043	176,545
- intangible assets and programming inventory	29,411	29,624
Equity to assets ratio	**1.00**	**1.02**

	12 months ended 31 December 2017 (in PLN '000)	*12 months ended 31 December 2016 (in PLN '000)*
Operating profit/(loss)	24,420	22,370
Adjustments for:	17,713	21,253
- amortization and depreciation	14,024	12,291
- amortization of current programming inventory	2,839	8,428
- Impairment of non-current assets	146	-
- share in the result of Stopklatka S.A.	-	-
- foreign exchange differences	454	451
- interest income	247	74
- interest expense to the State budget	3	9
EBITDA	**42,133**	**43,623**
Loans, borrowings and other external sources of financing (including leases)	**22,438**	**22,660**
Index: Loans, borrowings and other external sources of financing / EBITDA	**53%**	**52%**

The Issuer defines EBITDA as operating profit or loss, adjusted for depreciation/amortization and impairment of fixed assets, intangible assets and programming inventory. Moreover, in the calculation of EBITDA the

Company eliminates foreign exchange differences and interest expense on liabilities to the State budget, and recognizes interest income. EBITDA is not defined in EU IFRS and may be calculated in a different way by other entities.

EBITDA cannot be considered as a measure equivalent to profit before tax or to cash flows from operating activities (or to any other measures defined by the IFRS). Neither can EBITDA be considered the only measure of operating effectiveness of a liquidity indicator. In particular, EBITDA cannot be considered a measure of cash flows remaining at the Company's disposal to be invested in the development of the business.

As an analytical tool, EBITDA has certain limitations and therefore, cannot be considered in isolation from other ratios or as a substitute of the financial data consistent with IFRS EU. Therefore, investors should not uncritically rely on this ratio.

5.6.2 Earnings per share

	12 months ended 31 December 2017 (in PLN '000)	*12 months ended 31 December 2016 (in PLN '000)*
Net profit on continued operations	21,882	18,098
Total	**21,882**	**18,098**
Net profit attributable to ordinary shareholders, applied to calculate diluted earnings per share	**21,882**	**18,098**

	12 months ended 31 December 2017 (in PLN '000)	*12 months ended 31 December 2016 (in PLN '000)*
Weighted average number of ordinary shares issued applied to calculate basic earnings per share	19,821,404	19,821,404
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	**19,821,404**	**19,821,404**

Basic earnings per share	*12 months ended 31 December 2017 (in PLN '000)*	*12 months ended 31 December 2016 (in PLN '000)*
Net profit for the year	21,882	18,098
Weighted average number of ordinary shares	19,821,404	19,821,404
Basic earnings per share	**1.10**	**0.91**

Diluted earnings per share	*12 months ended 31 December 2017 (in PLN '000)*	*12 months ended 31 December 2016 (in PLN '000)*
Net profit attributable to ordinary shareholders, applied to calculate diluted earnings per share	21,882	18,098
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	19,821,404	19,821,404
Diluted earnings per share (PLN/share)	**1.10**	**0.91**

5.6.3 External financing

As at 31 December 2017, the Company had the following loans and open credit lines:

Lender	Currency	Amount of loan/limit	Value as at the balance sheet date		Interest	Repayment date	Collateral
			in foreign currency '000	in PLN '000			
BZ WBK S.A.	PLN	up to PLN 30 million	n/a	13,658	WIBOR 1M + the Bank's margin	08/06/2018	blank bill of exchange, declaration of submission for execution, authorization to use bank accounts and receivables assignment agreement
Total loans and advances				**13,658**			

In 2017, the Company used PLN 7,386 thousand of the overdraft facility and repaid interest of PLN 323 thousand.

As at 31 December 2016, the Company had the following loans and open credit lines:

Lender	Currency	Amount of loan/limit	Value as at the balance sheet date		Interest	Repayment date	Collateral
			in foreign currency '000	in PLN '000			
BZ WBK S.A.	PLN	up to PLN 30 million	n/a	6,272	WIBOR 1M + the Bank's margin	08/06/2018	blank bill of exchange, declaration of submission for execution, authorization to use bank accounts and receivables assignment agreement
Total loans and advances				**6,272**			

5.6.4 Finance leases

Finance lease agreements concluded by the Issuer relate a trademark and a car.

Reconciliation of the minimum lease payments to carrying amounts is presented below:

	As at 31 December 2017 (in PLN '000)	*As at 31 December 2016 (in PLN'000)*
Gross finance lease liabilities – minimum lease payments:		
Less than 1 year	8,754	7,854
From 1 to 5 years	116	8,870
	8,870	**16,724**
Future payments in respect of finance lease liabilities	(90)	(336)
Present value of finance lease payments	**8,780**	**16,388**

In 2017, the Company accrued interest on leases of PLN 245 thousand and paid lease liabilities of PLN 7,853 thousand (principal instalments plus interest).

The present value of finance lease liabilities is as follows:

	As at 31 December 2017 (in PLN '000)	*As at 31 December 2016 (in PLN'000)*
The present value of finance lease liabilities is as follows:		
Less than 1 year	8,667	7,608
From 1 to 5 years	113	8,780
	8,780	**16,388**

5.6.5 Liquidity management

The Issuer monitors the risk of shortages of funds using a periodic liquidity planning tool. The tool takes into account the due dates of both the liabilities in respect of loans, advances and leases and liabilities relating to purchases of fixed assets and intangible assets, as wells as projected cash flows from operating activities.

The Company's objective is to maintain balance between the continuity and the flexibility of its financing by using various sources of financing, such as bank overdrafts and loans.

The table below shows an ageing analysis of the Issuer's financial liabilities on the basis of remaining contractual maturities as at the balance sheet date.

	As at 31 December 2017 (PLN'000)					
	Book value	***Contractual cash flows***	*Less than 6 months*	*6-12 months*	*1-2 years*	*2-5 years*
Loans and advances received	13,658	13,658	13,658	-	-	-
Lease liabilities	8,780	8,870	3,927	4,827	54	62
Capital expenditure commitments	4,913	4,913	1,576	1,452	1,265	620
Trade payables	7,239	7,239	7,239	-	-	-
Total	**34,590**	**34,680**	**26,400**	**6,279**	**1,319**	**682**

	As at 31 December 2016 (PLN'000)					
	Book value	***Contractual cash flows***	*Less than 6 months*	*6-12 months*	*1-2 years*	*2-5 years*
Loans and advances received	6,272	6,272	-	-	6,272	-
Lease liabilities	16,388	16,724	3,927	3,927	8,754	116
Capital expenditure commitments	8,468	8,468	4,064	1,230	2,459	715
Trade payables	6,407	6,407	6,407	-	-	-
Total	**37,535**	**37,871**	**14,398**	**5,157**	**17,485**	**831**

5.7 The Group

5.7.1 Investments in subsidiaries and jointly controlled entities

Interests in subsidiaries and joint ventures as at 31 December 2017 and 31 December 2016.

Entity's name and legal form	Registered office	Business activities	Nature of relationship	Date of assuming control	Carrying value of shares as at 31/12/2016 (in PLN '000)	Carrying value of shares as at 31/12/2016 (in PLN '000)	% of share capital held as at 31/12/2017	% of total votes at the General Shareholders' Meeting as at 31/12/2016
Cyfrowe Repozytorium Filmowe Sp. z o.o.*	Warsaw, Poland	digital remastering of film materials	direct subsidiary	14.12.2011	-	-	100.00%	100.00%
KPTV Media Sp. z o.o.	Warsaw, Poland	services related to production of TV film channels	direct subsidiary	23.10.2012	19	19	100.00%	100.00%
Filmbox International Ltd.	London, United Kingdom	distribution of film channels from the Filmbox family	direct subsidiary	01.12.2013	114,445	114,445	100.00%	100.00%
Stopklatka S.A.	Warsaw, Poland	web portal and TV activities	joint venture	12.03.2014	11,691	11,285	41.50%	41.04%
Cable Television Networks & Partners Sp. z o.o.**	Warsaw, Poland	TV broadcasting	direct subsidiary	17/06/2016	20,000	10,000	70%	70%***

* *see note 5.7.4 for information on the write-down recognized*
** *On 23 January 2018, the Company acquired 236 additional shares in Cable Television Network & Partners Sp. z o.o. for PLN 10,000 thousand.*
*** *As at 31 December 2016, 21% of shares in Cable Television Network & Partners Sp. z o.o. were held by the Company through a subsidiary KPTV Media Sp. z o.o.*

On 29 September 2017, the Issuer acquired 45,770 shares in Stopklatka S.A. for PLN 366,160 in a block trade. Subsequently, the Issuer acquired 4,800 shares in Stopklatka S.A. for PLN 38,400 under a civil law agreement dated 27 September 2017. These transactions did not affect control over Stopklatka S.A.

Analysis of indications of impairment of an investment in a subsidiary Filmbox International Ltd. and a joint venture Stopklatka S.A.

Investments in subsidiaries and joint ventures are reviewed for impairment whenever the Management Board has identified events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company monitors indications of impairment of its investment in subsidiaries and joint ventures on an on-going basis by analysing their operating and financial results.

As at 31 December 2017 and 31 December 2016, the Company assessed that there were no indications of impairment of its investments in Filmbox International Ltd. and Stopklatka S.A. Therefore, the Company did not conduct an impairment test of these assets.

5.7.2. Acquisition of Cable Television Networks & Partners Sp. z o.o.

On 23 May 2016, in accordance with the provisions of an investment agreement concluded on 18 October 2015 with Polska Fundacja Wspierania Rozwoju Komunikacji Elektronicznej “PIKSEL”, the Management Board of the Issuer accepted, on behalf of the Company, an offer to take up 385 new shares in the increased share capital of Cable Television Networks & Partners Sp. z o.o.

The District Court for the Capital City of Warsaw in Warsaw, 12th Business Department of the National Court Register, registered the change in the share capital of CTN&P on 17 June 2016.

Following the said change, the share capital of CTN&P amounts to PLN 39,250.00 and comprises 785 shares. As at the date of registration of the increase in the share capital of CTN&P, the Issuer held 385 shares representing 49% of the share capital of CTN&P, while 400 shares in CTN&P representing 51% of its share capital were held by the Foundation.

The provisions of CTN&P’s Articles of Association guaranteed the Issuer’s control over CNTP&P starting from the date of registering the increase in the share capital of CTN&P and registering changes in its Articles of Association, i.e. on 17 June 2016.

On 2 September 2016, the Issuer acquired 100 shares in ENEZAG 3 Sp. z o.o. with a par value of PLN 50 each totalling PLN 5,000.00. The shares acquired represent 100% of the share capital of the said company.

On 5 September 2016, Enezag acquired Polska Fundacja Wspierania Rozwoju Komunikacji Elektronicznej “PIKSEL” 164 shares in CTN&P representing 21% of the share capital of CTN&P for PLN 10,000,000.00.

On 3 November 2016, a merger plan was agreed relating to the combination of the Issuer’s subsidiaries KPTV Media Sp. z o.o. and Enezag. The merger was conducted pursuant to Art. 492 para. 1 point 1 of the Polish Commercial Companies Code, by transferring all of the assets of Enezag to KPTV Media in exchange for 100 shares in the increased capital of the Acquiring Company, issued to the shareholder of the Acquired Company, namely Kino Polska TV S.A. (Currently, the Issuer has 200 shares in KPTV Media). As a result of the merger, the Acquired Company, namely ENEZAG 3 Sp. z o.o., ceased to exist.

The District Court for the Capital City of Warsaw in Warsaw, 13th Business Department of the National Court Register, registered the said merger on 30 December 2016.

In addition, the Company was obliged to acquire directly the remaining shares in the share capital of CTN&P which would ensure continuous control over CTN&P for the Company. The Issuer considered the financial assets resulting from the said agreements as derivative instruments. From the perspective of the Company's separate financial statements, these instruments are derivatives linked to equity instruments which do not have market prices quoted on an active market. Consequently, their fair value cannot be reliably measured. In accordance with IAS 39, "Financial Instruments: Recognition and Measurement", para. 46 (c), the Company measured these instruments as at the balance sheet date at cost, i.e. as zero. Consequently, the value of the investment in CTN&P as at the balance sheet date is limited to the amount of cash and cash equivalents transferred, i.e. PLN 10,000 thousand.

On 22 March 2017, the Issuer acquired 164 shares in Cable Television Network & Partners Sp. z o.o. with a par value of PLN 50 each for a total of PLN 10,000,000.00. The shares acquired represent 21% of the share capital of the said company.

On 23 January 2018, the Issuer purchased 236 shares in Cable Television Network & Partners Sp. z o.o. ("CTN&P") representing 30% of the share capital for PLN 10.000.000.

As at the date of preparing this Report, the Issuer held directly 100% of the share capital of CTN&P.

Impairment test of an investment in Cable Television Networks& Partners Sp. z o.o.

As at 31 December 2017, the Company conducted an impairment test of its investment in a subsidiary CTN&P. As at 31 December 2017, the Company's investment in CTN&P amounted to PLN 29,983 thousand and consisted of shares amounting to PLN 20,000 thousand and a loan plus interest of PLN 9,983 thousand. During the impairment test, the recoverable amount of the CTN&P investment was calculated based on the value in use. The calculation was based on discounted cash flows derived from the current financial plan adopted by the Management Board for 2018 and assumptions for the development of revenue and costs in 2019-2022 and a growth rate after 2022.

The activity of CTN&P consists in operating the Zoom TV channel. CTN&P started broadcasting Zoom TV in October 2016. The channel is present in multiplex eight of the terrestrial digital television.

Revenue forecasts for 2018-2020 were based on the anticipated increase in the share of Zoom TV in the total audience (SHR) from 0.33% recorded in 2017 to the target of approximately 1% in 2022. The assumptions for the SGR growth are to be realized by expanding the technical reach of the channel and increasing its recognizability among the audience. The planned annual average revenue growth in 2018-2022 of approximately

20.3% is the effect of both an increase in SHR and the favourable development of the so called cost per point (CPP).

The estimates of the value in use are also based on an assumption of the EBIT margin turning positive after AHR has reached 0.7%.

Other key financial assumptions adopted to discounting cash flows as at 31 December 2017:

- - incremental growth rate 2%;
- - pre-tax discounting rate 8.91%.

The discounting rate reflected the estimation of risk made by the management for a given cash generating unit, taking into account the time value of money and risks typical for a given asset. The discounting rate was calculated taking into account the specific conditions of the company's operations based on the weighted average cost of capital (WACC). The WACC rate took into account both debt and equity. The incremental growth rate was based on the market data relating to long-term inflation in Poland and on the Management Board's forecasts. The Company believed that the key assumptions adopted for the impairment test of the investment in a subsidiary CTN&P as at 31 December 2017 were reasonable and based on the Company's experience and forecasts of the market growth.

The value in use of the Company's investment in CTN&P estimated by the Company as at 31 December 2017 was higher than its book value; therefore, no impairment was identified by the Company. Changes in the incremental growth rate or the discounting rate of 1 p.p. did not result in impairment.

5.7.4 Impairment test of an investment in Cyfrowe Repozytorium Filmowe Sp. z o.o.

As at 31 December 2015, the Company conducted an impairment test of its investment in Cyfrowe Repozytorium Filmowe Sp. z o.o. ("CRF"). As at 31 December 2015, the Company's investment in CRF amounted to PLN 3,896 thousand and consisted of shares amounting to PLN 2,980 thousand and a loan plus interest of PLN 916 thousand. During the impairment test, the recoverable amount of the CRF investment was calculated based on the value in use. The calculation was based on discounted cash flows derived from the current financial plan adopted by the Management Board for 2016 and assumptions for growth rates in 2017-2020 and later. The forecast of revenues in 2017-2020 was based on expectations relating to the implementation of specific projects. It was also assumed that the revenue growth rate for permanent projects will be constant and will amount to 3% per annum in 2017-2020. In addition, starting from 2017, the Management Board assumed an increase in the EBIT margin planned for 2016 to 24% in subsequent years, due to the fact that significant and highly profitable projects which were supposed to materially affect the results of an impairment test will be executed in 2017. At the moment of the impairment test, CRF participated in proceedings to select contractors for the Operational Programme Digital Poland. The project has been included in the Company's business plan. Together with other companies in the reconstruction sector, the Company wanted to be an indirect beneficiary of the Programme by providing repository services and services in the area of coordination of digital reconstruction.

The measurement method adopted by the management reflected the nature of CRF's activities which, apart from a certain stable revenue base, was subject to cyclical peaks resulting from the execution of high-value projects with a high margin. In the opinion of the management, inclusion of such projects in the valuation of CRF's value in use was justified by the situation in the sector at that time. Other key financial assumptions adopted to discounting cash flows as at 31 December 2015:

- incremental growth rate 1.5 %;
- pre-tax discounting rate 10.56 %.

The discounting rate reflected the estimation of risk made by the management for a given cash generating unit, taking into account the time value of money and risks typical for a given asset. The discounting rate was calculated taking into account the specific conditions of the company's operations based on the weighted average cost of capital (WACC). The WACC rate took into account both debt and equity. The incremental growth rate was based on the market data relating to long-term inflation in Poland and on the Management Board's forecasts. The Company believed that the key assumptions adopted for the impairment test of the investment in a subsidiary CRF as at 31 December 2015 were reasonable and based on the Company's experience and forecasts of the market growth.

On 20 January 2017, the Company acknowledged the need to write-down the value of shares in and a loan granted to CRF. This was due to the information received that the Digital Poland Projects Centre had negatively assessed the application submitted under the Operational Programme Digital Poland whose indirect beneficiary was supposed to be CRF. The said Programme was included in CRF's business plan. The participation is the Programme was expected to bring an increase in CRF's revenue and EBI starting from 2017.

The write-down recognized in these financial statements totalled PLN 3,922 thousand and comprised a write-down for shares of PLN 3,922 thousand and a write-down for a loan, including interest, of PLN 942 thousand. PLN 967 thousand as at the end of 2017). As at the balance sheet date, the total value of the investment in CRF amounts to 0.

5.7.5 Related party transactions

Revenue from related entities relates mainly to the provision of production and telecommunication services, sale of licences and the provision of distribution services, while purchases from related entities comprise purchases of licences and fees for access to the content, and marketing services.

Revenue from sales to related entities	12 months ended 31 December 2017 (PLN ’000)			12 months ended 31 December 2016 (PLN ’000)		
	sales of finished goods and services	other revenue	interest income	sales of finished goods and services	other revenue	interest income
KPTV Media Sp. z o.o.	1,182	95	75	1,328	44	167
Cyfrowe Repozytorium Filmowe Sp. z o.o.	117	-	-	130	-	25
Filmbox International Ltd.	32,756	-	-	36,142	-	-
Stopklatka S.A.	1,362	-	43	2,084	-	79
Mediabox Broadcasting International Ltd	3,145	-	-	2,771	-	-
SPI Int’l BV	933	-	-	699	-	-
Erox International BV	182	-	-	257	-	-
SPI Intl’ Inc. (USA)	-	-	-	8	-	-
SPI International NV (Curacao)	35	-	-	273	-	-
Coop. SPI (NL)	19	-	-	18	-	-
Spinka Film Studio Sp. z o.o.	5	-	-	7	-	-
Cable Television Networks&Partners Sp. z o.o.	1,872	-	166	2,040	-	-
Total revenue from sales to related entities	**41,608**	**95**	**284**	**45,757**	**44**	**271**

Purchases from related entities	12 months ended 31 December 2017 (PLN ’000)			12 months ended 31 December 2016 (PLN ’000)		
	purchase of services	purchase of assets	interest expense	purchase of services	purchase of assets	interest expense
KPTV Media Sp. z o.o.	1,027	-	242	920	-	534
Cyfrowe Repozytorium Filmowe Sp. z o.o.	7	-	-	46	700	-
Filmbox International Ltd.	28,711	-	-	28,171	-	-
Stopklatka S.A.	-	-	-	13	-	-
Mediabox Broadcasting International Ltd	127	-	-	372	-	-
SPI Int’l BV	2,360	4,894	-	2,114	6,822	-
SPI Intl’ Inc. (USA)	108	-	-	109	-	-
Spinka Film Studio Sp. z o.o.	2	-	-	33	7	-
WYTWÓRNIA POZYTYWNA Piotr Reisch	3	-	-	3	15	-
EFTAS Eklektronik Fotograf Ticaret Sanayi A.S.	137	-	-	423	-	-
Cable Television Networks&Partners Sp. z o.o.	11	11	-	5	-	-
Total purchases from related entities	**32,493**	**4,905**	**242**	**32,209**	**7,544**	**534**

Receivables	As at 31 December 2017 (PLN’000)		As at 31 December 2016 (in PLN’000)	
	Receivables and payables	Loans	Receivables and payables	Loans
KPTV Media Sp. z o.o.	7,236	-	15,161	10,114
Cyfrowe Repozytorium Filmowe Sp. z o.o.	16	-	8	-
Filmbox International Ltd.	2,210	-	8,411	-
Stopklatka S.A.	230	1,022	351	2,067
Mediabox Broadcasting International Ltd (UK)	1,651	-	1,353	-
SPI Int’l BV (NL)	552	-	517	-
Erox International BV	67	-	147	-
SPI International NV (Curacao)	-		51	-
Coop. SPI (NL)	45	-	24	-
Spinka Film Studio Sp. z o.o.	-	-	1	-
Cable Television Networks&Partners Sp. z o.o.	1,120	9,983	1,061	-
Total receivables	**13,127**	**11,005**	**27,085**	**12,181**

Liabilities	As at 31 December 2017 (PLN'000)		As at 31 December 2016 (in PLN'000)	
	Receivables and payables	Leases	Receivables and payables	Leases
KPTV Media Sp. z o.o.	243	8,616	241	16,388
Filmbox International Ltd.	3,134	-	2,506	-
Stopklatka S.A.	-	-	3	-
Mediabox Broadcasting International Ltd (UK)	99	-	-	-
SPI Int'l BV (NL)	2,140	-	862	-
Spinka Film Studio Sp. z o.o.	-	-	2	-
Wytwórnia Pozytywna Piotr Reisch	1	-	6	-
Cable Television Networks&Partners Sp. z o.o.	-	-	4	-
Total liabilities	**5,617**	**8,616**	**3,624**	**16,388**

Description of the nature of the relations between related entities as at the balance sheet date and for the period from 1 January 2017 to 31 December 2017:

RELATED PARTY NAME	REASON FOR BEING CONSIDERED A RELATED PARTY
CABLE TELEVISION NETWORKS & PARTNERS SP. Z O.O.	subsidiary
COOP SPI (NL)	other related entity
CYFROWE REPOZYTORIUM FILMOWE SP. Z O.O.	subsidiary
EFTAS ELEKTRONIK FOTOGRAF TICARET SANAYI A.S.	other related entity
EROX INTERNATIONAL B.V.	other related entity
FILMBOX INTERNATIONAL LTD.	subsidiary
FLEXIMEDIA MARCIN KOWALSKI	business activity conducted by a member of the Company's key management personnel
HELP FILM S.R.O.	subsidiary
KPTV MEDIA SP. Z O.O.	subsidiary
MEDIABOX BROADCASTING INTERNATIONAL LTD	other related entity
SPI INTERNATIONAL B.V.	superior parent company
SPI INTERNATIONAL INC	other related entity
SPI INTERNATIONAL N.V.	other related entity
SPINKA FILM STUDIO SP.Z O.O.	other related entity
STOPKLATKA S.A.	shares in a joint venture
WYTWÓRNIA POZYTYWNA PIOTR REISCH	other related entity

5.8 Programming inventory and licences

5.8.1 Programming inventory

Programming inventory includes film licences acquired and used by the Company in the course of its operations, and those acquired with a view to their reselling.

Programming inventory is recognized at purchase price at the moment of starting its use or when the payment for film licences occurs before the starting date of the licence period.

Expenditure such as translation costs or technical costs associated with the materials delivered by the licensor represent are included in the purchase price of a given programming asset.

Contracts for the purchase of programming inventory which are concluded and valid, but which do not meet the criteria for their recognition as assets are not recognized in the balance sheet, but disclosed as future contractual commitments at the amount of liabilities resulting from such contracts and outstanding as at the balance sheet date.

Programming inventory is classified as current or non-current, depending on the licence period. Programming inventory with a licence period shorter than 1 year is classified as current.

Amortization of programming inventory starts in the month when the right to use it was obtained (start of the licence period) and is charged on a straight-line basis over the period of validity of a given licence (typically up to 3 years). Amortization of own and co-produced films is charged on a straight-line basis over the period of 10 years. Own and co-produced films created before 2013 are amortized over 10 years starting from 1 July 2014 (the last date of determining the estimated useful economic lives). In December 2017, the Management Board reviewed the estimated useful economic lives of the said films and concluded that starting from January 2018, the amortization period for these assets will be shortened until 2020, in correspondence with the modified estimated useful lives.

Some agreements based on which the Company recognizes and uses film licences contain additional restrictions (in addition to the licence period) relating to the maximum number of rebroadcasts allowed. The Company is analysing the licences in terms of the number of rebroadcasts and the related restrictions resulting from agreements with licensors, and adjusts the amortization periods and charges as needed. Such adjustments are treated as changes in accounting estimates and recognized in the profit or loss for the period under Operating expenses / Amortization of non-current programming inventory.

Programming assets are derecognized on the disposal or termination of the licence period. Gains or losses on derecognition of an intangible assets are determined at the amount of the difference between net proceeds from the sale of the asset, if any, and the carrying amount of the asset. They are shown in the profit or loss of the period under Other operating income or expenses on derecognition of the asset.

Impairment of programming inventory

The Company makes material investments in film licences presented as Programming inventory. The scope of use of such licences depends on their contractual terms. In their majority, licences are granted for a specific period, and some of them only allow a specific number of rebroadcasts.

It is typical of the television industry that the attractiveness of the programming inventory held may decrease with the passage of time and/or the number of rebroadcasts. As a result, it cannot be precluded that in future, it will be necessary to recognize impairment losses in respect of the programming inventory.

During the financial year ended 31 December 2017, the Management Board analysed the programming inventory held in terms of both utilization of the allowed number of rebroadcasts and in terms of other indications of impairment. As a result of the analysis, additional charges which accelerated amortization of PLN 489 thousand were recognized due to the fact that the allowed umber of rebroadcasts had been used.

Purchases of programming inventory are presented as operating activities in the cash flow statement.

	As at 31 December 2017 (PLN'000)	As at 31 December 2016 (PLN'000)
Acquired film licences	31,488	35,721
Prepayments for intangible assets	1,907	231
Total	**33,395**	**35,952**
including:		
Non-current programming inventory	*29,166*	*29,404*
Current programming inventory	*4,229*	*6,548*

Changes in programming inventory	12 months ended 31 December 2017 (PLN '000)	12 months ended 31 December 2016 (PLN '000)
Net book value as at 1 January	35,952	35,729
Increase:		
- acquisition of film licences (including prepayments)	18,021	24,310
Change in impairment write-downs	(52)	-
Amortization of film licences	(15,667)	(19,444)
Scrapping	(7)	(11)
Sale	(4,852)	(4,632)
Net book value as at January 31	**33,395**	**35,952**

5.9 Notes to other items of the statement of comprehensive income

5.9.1 Employee benefit expense

Defined contribution plan

Based on the applicable legislation, the Company is obliged to collect and remit contributions to the employee retirement plan. This plan, which is a state plan, in accordance with IAS 19 is classified as a defined contribution plan. Consequently, the Issuer's liability for each period is estimated based on the amount of contributions to be made for a given period.

Defined benefit plan – retirement benefits

Based on the applicable legislation, the Company is obliged to pay retirement benefits at amounts resulting from the provisions of the Polish Labour Code. The minimum level of retirement bonuses is based on the provisions of the Polish Labour Code in force as at the date of their payment.

The calculation is performed using the projected unit credit method. Employee turnover is estimated on the basis of historical data and the expected future level of employment.

Changes in the liability relating to retirement bonuses are charged to the statement of profit and loss on a net basis. Actuarial gains and losses are recognized in equity as other comprehensive income in the period in which they occurred.

Short-term employee benefits

Short-term employee benefit obligations are measured without discount and charged to costs when the benefit has been provided.

The Issuer recognizes a provision, charged to costs, at the amount of anticipated payments to employees in respect of short-term monetary bonuses provided that the Company has a legal or constructive obligation to make such payments based on the services to be provided by employees in the future, and the liability may be reliably estimated.

5.9.2 Remuneration of the senior management

	12 months ended 31 December 2017 (PLN '000)	*12 months ended 31 December 2016 (PLN '000)*
Short-term employee benefits (salaries and related charges)	1,761	1,794
Total	**1,761**	**1,794**

Management Board	*12 months ended 31 December 2017 (PLN '000)*	*12 months ended 31 December 2016 (PLN '000)*
Bogusław Kisielewski	696	694
Berk Uziyel	300	255
Marcin Kowalski	443	461
Alber Uziyel	120	93
Total	**1,558**	**1,503**

Supervisory Board	*12 months ended 31 December 2017 (PLN '000)*	*12 months ended 31 December 2016 (PLN '000)*
Loni Farhi	4	2
Stacey Sobel	3	2
Berrin Avcilar	-	1
Piotr Orłowski	28	33
Krzysztof Rudnik	53	61
Leszek Stypułkowski	54	62
Piotr Reisch	4	2
Katarzyna Woźnicka	57	128
Total	**203**	**291**

5.9.3 Employment structure

	12 months ended 31 December 2017 (PLN '000)	*12 months ended 31 December 2016 (PLN '000)*
Management Board	4	4
Management and administration	23	28
Production and programming staff	48	41
Marketing and sales	10	10
Technical department	1	3
Total	**86**	**86**

5.9.4 Remuneration of the registered auditor or a registered audit company

	12 months ended 31 December 2017 (PLN '000)	*12 months ended 31 December 2017 (PLN '000)*
Statutory audit or review of the financial statements	292	268
Other services	27	24
Total	**319**	**292**

5.9.5 Other operating income and expenses

Other operating income	*12 months ended 31 December 2017 (PLN '000)*	*12 months ended 31 December 2016 (PLN '000)*
Net gains on disposal of non-financial non-current assets	-	46
Liabilities written off	-	61
Release of receivables write-downs	-	199
Damages, compensation and penalties received	-	31
Materials and services received	-	20
Interest on trade receivables	1	1
Discount on receivables	95	167
Foreign exchange gains	315	-
Other	3	1
Total	**414**	**526**

Other operating expenses	*12 months ended 31 December 2017 (PLN '000)*	*12 months ended 31 December 2016 (PLN '000)*
Net loss on disposal of non-financial non-current assets	-	(11)
Impairment of intangible assets and fixed assets	(94)	-
Receivables written off	(102)	(204)
Contractual penalties	-	(3)
Donations granted	(1)	(13)
Interest on trade receivables	(1)	(1)
Interest payables to the State Budget	(3)	(9)
Valuation of forward contracts	(769)	-
Foreign exchange losses	-	(451)
Impairment charges for goods for resale	(26)	(16)
Other	(5)	(29)
Total	**(1,001)**	**(737)**

5.9.6 Finance income and cost

Finance income	***12 months ended 31 December 2017 (PLN '000)***	***12 months ended 31 December 2016 (PLN '000)***
Interest income, including:	283	167
- on bank deposits		46
- on loans	283	121
Dividend from subsidiaries	1,000	-
Other finance income	104	-
Total	**1,387**	**167**

Finance costs	***12 months ended 31 December 2017 (PLN '000)***	***12 months ended 31 December 2016 (PLN '000)***
Interest expense, including:	(568)	(546)
- on loans and borrowings	(323)	(152)
- on finance leases	(245)	(394)
Banking commission	-	(31)
Other finance costs	-	(4)
Total	**(568)**	**(581)**

5.9.7 Taxation

	12 months ended 31 December 2017 (PLN '000)	***12 months ended 31 December 2016 (PLN '000)***
Current income tax	**(3,164)**	**(4,236)**
Current tax on income for the financial year	(3,164)	(4,236)
Adjustments relating to prior years	-	-
Deferred income tax	**(193)**	**378**
Temporary differences arising / reversed	(193)	378
Income tax expense	**(3,357)**	**(3,858)**

Reconciliation of effective tax rate

Reconciliation of corporate income tax on profit before tax in accordance with the statutory tax rate with corporate income tax calculated using the effective tax rate of the Company for the 12 months ended 31 December 2017 and 31 December 2016 is as follows:

Differences between the income tax expense and the amount of tax calculated by applying the tax rate to profit before tax	***12 months ended 31 December 2017 (PLN '000)***	***12 months ended 31 December 2016 (PLN '000)***
Profit before tax	**25,239**	**21,956**
Income tax charge at the statutory rates applicable in the period (19% in Poland)	(4,795)	(4,172)
Non-deductible costs	(234)	(895)
Non-taxable income	190	
Proceeds from fees relating to trademark	1,482	1,482
Deductible temporary differences in respect of which no deferred tax asset had previously been recognized	-	(220)
Taxable temporary differences for which a provision has not been recognized previously	-	(53)
Income tax expense	**(3,357)**	**(3,858)**

	As at 31 December 2017 (PLN'000)	***As at 31 December 2016 (PLN'000)***
Deferred income tax assets:		
- realizable after 12 months	106	-
- realizable within 12 months	873	1,249
	979	**1,249**
Deferred income tax provision:		
- realizable after 12 months	(82)	(213)
- realizable within 12 months	(372)	(318)
	(454)	**(531)**
Net deferred tax asset/(provision)	**525**	**718**

Changes in gross deferred tax	***12 months ended 31 December 2017 (PLN '000)***	***12 months ended 31 December 2016 (PLN '000)***
As at 1 January	**718**	**340**
Credited to the income statement	(193)	378
As at 31 December	**525**	**718**

	Tax amortization of intangible assets	Interest accrued	Foreign exchange losses	Provisions	Impairment write-downs	Measurement of derivatives	Overdue liabilities	Difference in the tax and accounting treatment of leases	Deferred income	Other	Total
Deferred tax asset											
As at 1 January 2016	30	54	46	75	156	-	2	-	354	349	**1,066**
Income tax charge / (credit)	(30)	(31)	36	27	(31)	-	(2)	-	338	(124)	**183**
As at 31 December 2016	**-**	**23**	**82**	**102**	**125**	**-**	**-**	**-**	**692**	**225**	**1,249**
As at 1 January 2017	-	23	82	102	125	-	-	-	692	225	**1,249**
Income tax charge / (credit)	-	(18)	(82)	(24)	57	146	-	-	(328)	(21)	**(270)**
As at 31 December 2017	**-**	**5**	**-**	**78**	**182**	**146**	**-**	**-**	**364**	**204**	**979**

	Tax amortization of intangible assets	Interest accrued	Foreign exchange losses	Provisions	Impairment write-downs	Difference in the tax and accounting treatment of leases	Deferred income	Other	Total
Deferred tax payable									
As at 1 January 2016	495	66	-	-	-	135	-	-	**696**
Income tax charge / (credit)	(66)	(26)	-	-	-	(73)	-	-	**(76)**
As at 31 December 2016	**429**	**40**	**-**	**-**	**-**	**62**	**-**	**-**	**531**
As at 1 January 2017	429	40	-	-	-	62	-	-	**531**
Income tax charge / (credit)	(127)	11	85	-	-	(46)	-	-	**(77)**
As at 31 December 2017	**302**	**51**	**85**	**-**	**-**	**16**	**-**	**-**	**454**

In the light of the General Anti-Avoidance Rule ("GAAR") effective from 15 July 2016, which is intended to prevent the creation and utilization of an artificial legal structure established in order to avoid paying taxes in Poland, the Management Board of the Company made a comprehensive analysis of the tax circumstances of the Company as regards identification and assessment of transactions and operations which could potentially be subject to the GAAR legislation, considered the impact on deferred tax, tax values of assets and provisions for the tax risk. In the opinion of the Management Board, the analysis did not indicate any need to adjust the reported current and deferred income tax. Nevertheless, in the opinion of the Management Board, in the case of the GAAR legislation there is an inherent uncertainty concerning the interpretation of the tax law by the Entity which may result in the need to pay additional tax for past periods. The tax authorities may inspect the Company's accounting and tax records at any time within five years of the end of the year in which the related tax returns were filed and charge the Company with additional tax, together with penalties and default interest. The Management Board believes that there are no circumstances that would indicate any possible material liability in this respect.

5.10 Other assets and liabilities

5.10.1 Property, plant and equipment

Fixed assets are stated at cost (purchase price or cost of manufacture), less accumulated amortization and impairment.

Depreciation is charged on a straight line basis. The residual values, useful lives and depreciation methods of assets are verified and, if necessary, adjusted at the end of each financial year. The average depreciation rates for particular categories of property, plant and equipment are as follows:

- plant and machinery –10% – 30%
- other fixed assets – 10% – 20%

A given item of property, plant and equipment may be derecognized after it is sold or when no economic benefits are expected from the further use of such an asset. Any gains or losses on derecognition of a given asset from the balance sheet (calculated as the difference between any net inflows from disposal and the carrying amount of the asset) are recorded in the profit or loss in the period in which an item was derecognized, under other operating income or other operating expenses, as appropriate.

Impairment write-downs are immediately charged to costs in the profit or loss for the period under Other operating expenses.

A previously recognized impairment loss is reversed if, and only if, since the recognition of the last impairment loss there has been a change in accounting estimates used to determine the recoverable value of the asset.

Reversals of impairment losses are recognized in the profit or loss for the period, under Other operating income.

Plant and	Vehicles	Other fixed	Leasehold	Assets	Total (in

	machinery (in PLN '000)	(in PLN'000)	assets (in PLN'000)	improvements (in PLN '000)	under construction (in PLN '000)	PLN '000)
Financial year ended 31 December 2017						
As at 1 January						
Gross book value	11,848	557	1,032	102	26	**13,565**
Accumulated depreciation	(8,865)	(203)	(672)	(14)	-	**(9,754)**
Net book value	**2,983**	**354**	**360**	**88**	**26**	**3,811**
Net book value as at the beginning of the year	2,983	354	360	88	26	**3,811**
Increase	270	-	13	19		**302**
Decrease	(1)	-	-	-	-	**(1)**
Depreciation charge	(831)	(100)	(96)	(39)	-	**(1,066)**
Write-down	-	-	-	(68)	(26)	**(94)**
Net book value as at the end of the year	**2,421**	**254**	**277**	**-**	**-**	**2,952**
As at 31 December						**-**
Gross book value	12,098	557	1,045	121	26	**13,847**
Accumulated depreciation	(9,677)	(303)	(768)	(53)	-	**(10,801)**
Write-down	-	-	-	(68)	(26)	**(94)**
Net book value	**2,421**	**254**	**277**	**-**	**-**	**2,952**
Financial year ended 31 December 2016						
Net book value as at the beginning of the year	3,642	142	434	-	-	**4,218**
Increase	233	296	22	102	26	**679**
Decrease	(3)	-	-	-	-	**(3)**
Depreciation charge	(889)	(84)	(96)	(14)	-	**(1,083)**
Net book value as at the end of the year	**2,983**	**354**	**360**	**88**	**26**	**3,811**
As at 31 December						
Gross book value	11,848	557	1,032	102	26	**13,565**
Accumulated depreciation	(8,865)	(203)	(672)	(14)	-	**(9,754)**
Net book value	**2,983**	**354**	**360**	**88**	**26**	**3,811**

5.10.2 Other intangible assets

Intangible assets are stated at cost (purchase price or cost of manufacture), less accumulated amortization and impairment.

Intangible assets are amortized over their expected useful lives (typically specified in an agreement) and tested for impairment each time there are indications of their impairment. The average amortization periods for particular categories of intangible assets are as follows:

- cost of completed development work – 5 years;
- concessions, patents acquired – 10 years;
- other intangible assets – 2 years.

Intangible assets are derecognized on disposal or when no further future economic benefits are expected from their use (scrapping).

Gains or losses on derecognition of an intangible assets are determined at the amount of the difference between net proceeds from the sale of the asset, if any, and the carrying amount of the asset. They are shown in the profit or loss of the period under Other operating income or expenses on derecognition of the asset.

	Total (in PLN ’000)	**Other intangible assets (in PLN’000)**	**Total (in PLN ’000)**
Financial year ended 31 December 2017			
As at 1 January			
Gross book value	83	2,325	**2,408**
Accumulated amortization	(39)	(2,149)	**(2,188)**
Net book value	**44**	**176**	**220**
			-
Net book value as at the beginning of the year	44	176	**220**
Increase	-	156	**156**
Amortization charge	(8)	(123)	**(131)**
Net book value as at the end of the year	**36**	**209**	**245**
As at 31 December			
Gross book value	83	2,481	**2,564**
Accumulated amortization	(47)	(2,272)	**(2,319)**
Net book value	**36**	**209**	**245**
Financial year ended 31 December 2016			
Net book value as at the beginning of the year	52	333	**385**
Increase	-	27	**27**
Amortization charge	(8)	(184)	**(192)**
Net book value as at the end of the year	**44**	**176**	**220**
As at 31 December			-
Gross book value	83	2,325	**2,408**
Accumulated amortization	(39)	(2,149)	**(2,188)**
Net book value	**44**	**176**	**220**

5.10.3 Financial instruments and financial risk management

	Carrying amount	
Financial assets	***As at 31 December 2017 (PLN’000)***	***As at 31 December 2016 (PLN’000)***
Loans and receivables:	**36,550**	**53,509**
Trade receivables	18,295	23,619
Receivables relating to trademark	6,976	14,881
Loans granted	11,005	12,181
Cash and cash equivalents	274	2,828

	Carrying amount	
Financial liabilities	***As at 31 December 2017 (PLN’000)***	***As at 31 December 2016 (PLN’000)***
Other financial liabilities at amortized cost:	**34,590**	**37,535**
Loans and advances received	13,658	6,272
Lease liabilities	8,780	16,388
Capital expenditure commitments*	4,913	8,467
Trade payables*	7,239	6,408
Financial liabilities at fair value through profit or loss:	**769**	**-**
Derivative financial instruments	769	-

* for the measurement of non-current liabilities, simplification described in Note 5.10.7 was applied.

The Company's activities expose it to a variety of financial risks:

- liquidity risk;
- credit risk;
- market risk;
  - foreign currency risk;
  - interest rate risk.

The Company's general risk management programme focuses on the unpredictability of the financial markets and attempts to minimize the potential adverse effect on the Company's financial results.

The risk is managed by the Management Board of the Issuer, which identifies and evaluates financial risks and protects the Company from them in close cooperation with the operating units. The Management Board sets out general risk management principles and the policies relating to specific risks, such as foreign exchange risk, interest rate risk, credit risk, and to investing surplus liquidity.

Credit risk

The Company enters into sales transactions only with customers with good creditworthiness. All customers wishing to take advantage of the trade credit are subject to initial verification procedures. Moreover, due to an on-going monitoring of the balances of receivables, the Company's exposure to bad debt risk is not significant.

The maximum exposure to credit risk is equal to the book value of financial assets and was as follows as at the balance sheet date:

Maximum exposure to credit risk

	Carrying amount	
	As at 31 December 2017 (PLN'000)	***As at 31 December 2016 (PLN'000)***
Trade receivables	18,295	23,619
Receivables relating to trademark	6,976	14,881
Loans granted	11,005	12,181
Cash and cash equivalents	274	2,828
	36,550	**53,509**

Concentration of credit risk is presented in the table below:

	Carrying amount	
	As at 31 December 2017 (PLN'000)	***As at 31 December 2016 (PLN'000)***
Loans granted:	**11,005**	**12,181**
Stopklatka S.A.	1,022	2,067
Cable Television Networks & Partners Sp. z o.o.	9,983	-
KPTV Media Sp. z o.o.	-	10,114
Trade receivables	**18,295**	**23,619**
Receivables from media houses	1,751	1,774
Receivables from media operators	10,336	4,679
Other receivables from unrelated entities	57	4,963
From related entities	6,151	12,203
Receivables relating to trademark	**6,976**	**14,881**
Cash and cash equivalents	**274**	**2,828**
BZ WBK S.A. (Poland)	270	2,826
Cash in hand	4	2

Changes in total impairment write-downs of trade receivables and other receivables were as follows:

	12 months ended 31 December 2017 (PLN '000)	*12 months ended 31 December 2016 (PLN '000)*
At 1 January	**(811)**	**(1,010)**
Recognized	(802)	(1,053)
Reversed	806	1,252
At 31 December	**(807)**	**(811)**

Other categories of assets do not contain any impaired items. Impaired loans have been disclosed in note 5.10.5.

The table below shows the ageing analysis of trade receivables:

	As at 31 December 2017 (PLN'000)			**As at 31 December 2016 (PLN'000)**		
	Gross book value	**Impairment**	**Net book value**	**Gross book value**	**Impairment**	**Net book value**
Current receivables	12,784	(144)	12,640	13,724	(1)	13,723
Receivables overdue for less than 30 days	4,352	(399)	3,953	5,169	(53)	5,116
Receivables overdue for 31 to 60 days	571	(38)	533	3,571	(32)	3,539
Receivables overdue for 60 to 90 days	796	(38)	758	475	(68)	407
Trade receivables overdue for more than 90 days	599	(188)	411	1,491	(657)	834
Total	**19,102**	**(807)**	**18,295**	**24,430**	**(811)**	**23,619**

Foreign exchange risk

The Company is exposed to foreign currency risk associated with purchase and sale transactions concluded and from maintaining cash and cash equivalents in foreign currencies. Revenue generated by the Company is expressed mainly in PLN, and the main items of costs and capital expenditure incurred in foreign currencies, namely EUR and USD, relate to purchases of film licences.

The Company is not applying formal hedge accounting at the moment. The Company partly hedges cash flows in foreign currencies resulting from real exchange rates using derivatives, namely forward contracts.

The table below shows the Company's exposure to foreign currency risk based on amounts in foreign currencies (after translation into PLN):

	As at 31 December 2017 (PLN'000)					**As at 31 December 2016 (PLN'000)**			
	EUR	**USD**	**GBP**	**HUF**	**CZK**	**EUR**	**USD**	**HUF**	**CZK**
Trade and other receivables	4,692	790		387	138	11,569	1,392	418	125
Cash and cash equivalents	144	141	-	-	-	1,796	1,043	-	-
Derivative financial instruments	-	(769)	-	-	-	-	-	-	-
Trade and other payables	(6,116)	(3,788)	-	-	(8)	(13,476)	(4,669)	-	56
Balance sheet exposure	**(1,280)**	**(3,626)**	**-**	**387**	**130**	**(111)**	**(2,234)**	**418**	**181**

	12 months ended 31 December 2017 (in PLN '000)		*12 months ended 31 December 2016 (PLN '000)*	
	Estimated change in net profit in PLN	**Estimated change in other comprehensive income in PLN**	**Estimated change in net profit in PLN**	**Estimated change in other comprehensive income in PLN**
Estimated change in exchange rate of +10%				
EUR	(128)	-	(11)	-
USD	(363)	-	(223)	-
HUF	39	-	42	-
CZK	13	-	18	-
Estimated change in exchange rate of -10%				
EUR	128	-	11	-
USD	363	-	223	-
HUF	(39)	-	(42)	-
CZK	(13)	-	(18)	-

Interest rate risk

Changes in market interest rates do not affect the Company's revenue directly, but they affect both cash flows from operating activities (via the level of interest on current accounts and deposits) and cash flows from investing activities (via interest cost on loans obtained by the Company).

The table below shows the interest rate risk profile as at the balance sheet date for interest-bearing financial instruments.

	Value as at	
	As at 31 December 2017 (PLN'000)	***As at 31 December 2016 (PLN'000)***
Instruments based on fixed interest rates		
Lease liabilities*	(8,870)	(16,724)
Receivables relating to trademark*	6,667	14,667
Derivative financial instruments	(769)	-
Instrument sensitive to interest rate changes:		
Cash and cash equivalents	274	2,828
Loans granted*	11,198	12,626
Loans and advances received*	(13,658)	(6,272)
Net exposure	**(2,186)**	**9,182**

* nominal amounts

Sensitivity analysis of cash flows from variable rate instruments (before taxation):

	Net profit or loss		**Equity**	
	Increase of 100 b.p.	**Decrease of 100 b.p.**	**Increase of 100 b.p.**	**Decrease of 100 b.p.**
As at 31 December 2017 (in PLN'000)				
Variable interest rate financial instruments	(22)	22	(22)	22
Cash flow sensitivity	**(22)**	**22**	**(22)**	**22**
As at 31 December 2016 (in PLN'000)				
Variable interest rate financial instruments	92	(92)	92	(92)
Cash flow sensitivity	**92**	**(92)**	**92**	**(92)**

Comparison of the fair value and the book value

The Company applies the following fair value hierarchy for financial instruments, depending on the selected measurement method:

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

The table below presents fair values of financial assets and liabilities other than measured at fair value through profit or loss, and their book values.

			As at 31 December 2017 (PLN'000)		As at 31 December 2016 (in PLN'000)	
	Category under IAS 39	Level of fair value hierarchy	Book value	Fair value	Book value	Fair value
Trade and other receivables	A	2	18,295	18,295	23,619	23,619
Receivables relating to trademark	A	2	6,976	6,583	14,881	14,225
Loans granted	A	2	11,005	10,976	12,181	12,181
Cash and cash equivalents	A	*	274	274	2,828	2,828
Loans and advances received	B	2	(13,658)	(13,658)	(6,272)	(6,272)
Lease liabilities	B	2	(8,780)	(8,743)	(16,388)	(16,247)
Trade and other payables	B	2	(12,152)	(12,152)	(14,875)	(14,875)
Total			**1,960**	**1,575**	**15,974**	**15,459**
Unrecognized profit/(loss)				(385)		(516)

A loans and receivables
B other financial liabilities
* *it is assumed that the fair value of cash and cash equivalents is equal to their nominal value. Therefore, no measurement techniques were applied to measure these items.*

Trade receivables, other receivables, trade payables and other liabilities include mainly receivables and payables which will be settled no later than by the end of the month following the balance sheet date. Consequently, it was assumed that their measurement taking into account the time value of money would be similar to their nominal value.

5.10.4 Trade receivables

	As at 31 December 2017 (PLN'000)	*As at 31 December 2016 (PLN'000)*
Non-current receivables		
From related entities	**-**	**6,643**
- other receivables	-	6,643
Total non-current receivables, gross	**-**	**6,643**
Current receivables		
From related entities	**13,127**	**20,442**
- trade receivables	2,424	10,820
- provisions for revenue	3,727	1,384
- other receivables	6,976	8,238
From other entities	**13,544**	**12,584**
- trade receivables	7,791	5,909

- provisions for revenue	5,160	6,317
- prepayments and deferred costs	99	148
- receivables from the State budget other than income tax receivable	425	137
- other receivables	69	73
Total non-current receivables, gross	**26,671**	**33,026**
Write-downs of receivables	(807)	(811)
Trade and other receivables	**25,864**	**38,858**

Trade receivables are measured at fair values plus transaction costs. After initial recognition, they are carried at amortized cost using the effective interest rate, in accordance with the requirement of IAS 39 for this category of financial assets. However, in the case of short-term trade receivables other than interest, the Company uses a simplified approach consisting in recognizing and disclosing such receivables at nominal amounts (amounts originally invoiced or to be invoiced). In the opinion of the Management Board, such simplification does not materially distort the Issuer's financial and economic position or its net profit or loss.

At each reporting date, the Company performs an assessment of any objective evidence that trade receivables and loans granted may be impaired, i.e. that collecting the full amounts receivable is no longer probable. The Issuer makes the assessment individually for each item of receivables and loans.
For trade receivables, impairment loss is calculated as the difference between the book value and the amount of future cash flows which are likely to be received.

The value of receivables is written down depending on the likelihood of their being collected. Write-downs are based on the probability of the receivable being collected and on a detailed analysis of material items of receivables. An assessment of the probability of the receivable being collected is made based on the ageing analysis of the items included in the balance of receivables or based on an individual analysis of specific balances. The Company does not recognize any write-downs of receivables from related entities.

In the year ended 31 December 2016, for the first time the Company applied a more restrictive approach to recognizing write-downs of receivables: the entire balance of receivables from specific customers was written down if a whole or a part of the balance was overdue to the extent defined by the Issuer .

Impairment losses are recognized in the profit or loss for the period, under Other operating expenses.
Other receivables comprise, in particular, receivables from the State budget, advances and receivables resulting from settlements with employees.

Other receivables are measured at nominal amounts.

Prepayment and deferred costs contain items relating to the costs of future periods.

5.10.5 Loans granted

As at 31 December 2017 (PLN'000)							
Lender	Currency	Amount of loan/limit	Value as at the balance sheet date		Interest	Repayment date	Collateral
			in foreign currency	in PLN			
Tramway Sp. z o.o	PLN	240	n/a	276	fixed interest of 10% p.a.	30/06/2014	a surety of a private individual and a declaration of submission to execution in accordance with Art. 777 § 1 point 4 of the Code of Civil Proceedings by the borrower and the provider of surety
Cyfrowe Repozytorium Filmowe Sp. z o.o.	PLN	800	n/a	967	WIBOR 3M +1.5%	15/12/2018	blank bill of exchange
Stopklatka S.A.	PLN	2,000	n/a	1,022	WIBOR 3M +1.5%	31/03/2018	none
Cable Television Networks&Partners Sp. z o.o.	PLN	10,300	n/a	9,983	WIBOR 3M +2.3%	12 month from disbursement of a given tranche	none
Total loans		**13,340**		**12,248**			
Write-down				**(1,243)***			
Total loans		**13,340**		**11,005**			

* Including PLN 967 thousand relating to a loan for Cyfrowe repozytorium Filmowe Sp. z o.o., and PLN 276 thousand, a loan for Tramway Sp. z o.o.

As at 31 December 2016 (PLN'000)							
Lender	Currency	Amount of loan/limit	Value as at the balance sheet date		Interest	Repayment date	Collateral
			in foreign currency	in PLN			
Tramway Sp. z o.o	PLN	240	n/a	261	fixed interest of 10% p.a.	30/06/2014	a surety of a private individual and a declaration of submission to execution in accordance with Art. 777 § 1 point 4 of the Code of Civil Proceedings by the borrower and the provider of surety
Cyfrowe Repozytorium Filmowe Sp. z o.o.	PLN	800	n/a	942	WIBOR 3M +1.5%	15/12/2017	blank bill of exchange
Stopklatka S.A.	PLN	2,000	n/a	2,067	WIBOR 3M +1.5%	31/03/2017	none
KPTV Media Sp. z o.o.	PLN	110	n/a	114	WIBOR 3M +1.5%	31/12/2017	none
KPTV Media Sp. z o.o.	PLN	10,000	n/a	10,103	WIBOR 3M +1.5%	31/12/2017	none
Total loans		**13,150**		**13,487**			
Write-down				**(1,306)***			
Total loans		**13,150**		**12,181**			

* Including PLN 261 thousand relating to a loan for Tramway Sp. z o.o., PLN 942 is a loan for Cyfrowe repozytorium Filmowe Sp. z o.o., and PLN 103 thousand represents interest on a loan for KPTV Media Sp. z o.o.

5.10.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and short-term deposits with banks (up to 3 months). Cash and cash equivalents shown in the cash flow statement include the cash and cash equivalents specified above.

	As at 31 December 2017 (PLN'000)	*As at 31 December 2016 (PLN'000)*
Cash in hand and at bank	274	2,828
Total	**274**	**2,828**

5.10.7 Trade and other payables

	As at 31 December 2017 (PLN'000)	*As at 31 December 2016 (PLN'000)*
Non-current liabilities		
Liabilities to related entities	**1,240**	**-**
- capital expenditure commitments	1,240	-
To other entities	**645**	**3,174**
- capital expenditure commitments	645	3,174
Total non-current liabilities	**1,885**	**3,174**

	As at 31 December 2017 (PLN'000)	*As at 31 December 2016 (PLN'000)*
Current liabilities		
To related entities	**4,377**	**3,625**
- trade payables	3,692	2,815
- capital expenditure commitments	685	810
Liabilities to other entities	**6,795**	**8,444**
- trade payables	3,547	3,592
- capital expenditure commitments	2,343	4,484
- wages and salaries payable	476	11
- liabilities to the State budget other than the current income tax payable	429	357
Total current liabilities	**11,172**	**12,069**

Trade payables and capital expenditure commitments are classified as financial liabilities and, in principle, measured at amortized cost in accordance with the requirements of IAS 39 for financial liabilities other than those measured at fair value through profit or loss. However, for short-term trade payables and capital expenditure commitments the Company follows a simplified approach whereby such payables are shown at amounts due. In the opinion of the Management Board, such simplification does not materially distort the Company's financial and economic position or its net profit or loss.

Other non-financial liabilities comprise, in particular, payables to the State budget and liabilities resulting from settlements with employees.

Other liabilities are stated at amounts due.

5.10.8 Derivatives

In 2017, the Company concluded agreements for the purchase of forward contracts in USD totalling USD 1,476 thousand and with maturities between 31/01/2018 and 31/07/2020 with BZ WBK S.A.

The fair value of the forward instruments is determined by the Company's bankers on the basis of future cash flows discounted until the valuation measurement date by the market curves which take into account swap points. The discounted cash flows are translated into PLN at the fixing rate of the National Bank of Poland as at the valuation date.

Gains and losses on valuation are recognized as at the end of each month and presented under Other operating income/expenses in foreign exchange gains and losses. In 2017, the Company recognized PLN 769 thousand of losses on the valuation of the forwards held.

Forward contracts are the Company's only liabilities measured at fair value. In accordance with IFRS 13, the Company classified the fair value of forward contracts as level 3 of the fair value hierarchy.

The key parameters of the forwards are presented in the table below.

	31 December 2017
Type of instrument	Forward
Risk hedged	Licence fees in USD
Nominal value of the hedging instrument	USD 1,080 thousand
Fair value of the hedging instrument	PLN 769 thousand
Accounting classification	Other than hedging
Period of the hedging instrument's impact on the income statement	Until 31 July 2020

5.10.9 Inventories

Under "Materials", the Company shows materials used for its internal needs, charged to the income statement on their issue and data carriers charged to the income statement on their release to a client. Goods for resale comprise DVDs.

Inventory issues are recorded on the FIFO basis.

	As at 31 December 2017 (PLN'000)	*As at 31 December 2016 (PLN'000)*
Materials	3	13
Goods for resale	48	111
Total	**51**	**124**

5.10.10 Provisions

	Provision for holiday pay (in PLN ’000)	Provision for retirement bonuses (in PLN ’000)	Total (in PLN ’000)
As at 1 January 2017	**465**	**73**	**538**
Reversed	(110)	(16)	**(126)**
Foreign exchange losses	-	-	-
As at 31 December 2017	**355**	**57**	**412**

	Provision for holiday pay (in PLN ’000)	Provision for retirement bonuses (in PLN ’000)	Total (in PLN ’000)
As at 1 January 2016	**366**	**27**	**393**
Provisions recorded during the year	99	46	**145**
As at 31 December 2016	**465**	**73**	**538**

5.10.11 Deferred income

Deferred income relates to settlements in respect of trading in licence rights. An increase in deferred income resulted from the agreements for the sale of licences, whereby the Company was obliged to issue invoices before significant risks and benefits associated with the licences sold were transferred.

5.11 Unrecognized items

5.11.1 Share-based payments

In 2016, selected members of the Company’s key personnel totalling 6 people were covered by a protective clause which entitles them to receive from the top-level parent, i.e. Cooperative SPI International UA, payments in cash in the case of a change in control over the Company or its significant operations. The amount to be paid to each entitled person shall represent a specific percentage of the fair value of the operations being sold for a specific type of transaction. The receipt of the payment is conditional upon a person being in a relation with the Company (defined as performing a role in its executive or supervisory bodies or providing services based on the employment relation or another contractual relation) as at the moment of the change of control. 50% of the benefit will be due to a key personnel member upon the execution of a transaction, and another 50% will be due 3 years after the execution.

The said benefit is covered by the scope of IFRS 2 and represents a share-based payment program for the Company. Since the Company does not have an obligation to pay the benefit, in accordance with IFRS 2, the program is treated as settled in equity instruments. If the conditions for the payment are fulfilled, the benefit will be paid in full by Cooperative SPI International UA. In addition, the Company has no obligation to reimburse the benefits paid to Cooperative SPI International UA.

Given the fact that the benefit for the Company's employees will not be provided by the Company, from the perspective of the Company's separate financial statements it will constitute an additional contribution from the shareholder, recognized in equity over the vesting period and, at the same time, the cost of the benefit will be recognized in the same amount in the income statement under "Operating expenses". The combined effect on equity of the benefit will be neutral, i.e. the amount charged to the income statement over the vesting period will increase equity as an additional contribution from the shareholder.

The total amount of the right at the vesting date of 31 December 2016 is PLN 3,608 thousand and the number of rights was 345,368 as at the balance sheet date. The measurement was based on estimation of the market price of the Company's shares.

In the current period, the Company did not recognize the costs of the program, because the fulfilment of the vesting condition (i.e. change of control) is unlikely as at the balance sheet date. Should the fulfilment of the condition become likely, the Company will recognize the benefit over the vesting period (i.e. 50% for the period until the estimated execution date and 50% until the end of 36 months after the expected transaction date); the cost will be recognized in correspondence with equity. Therefore, the recognition of the program will not affect the total value of the Company's equity. Payment of the benefits under the program will not affect the Company's cash flows since it will be executed by SPI International UA.

5.11.2 Lease liabilities and future commitments

Since June 2012, Kino Polska TV S.A. has been renting office space at ul. Puławska 435A and subletting it to domestic subsidiaries based on an agreement with PK13 Sp. z o.o. valid until 31 December 2023.

In 2017, the Company paid monthly rent of approx. PLN 163 thousand under the said agreement. The rent is adjusted for inflation every year. Minimum lease payments in respect of the irrevocable agreement amounted to PLN 9,397 thousand as at 31 December 2017 (PLN 3,953 thousand as at 31 December 2016).

The Company has no knowledge of the current market value of the leased office space.

Future commitments in respect of operating lease agreements for office space lease:

Future operating lease commitments – lessee	***As at 31 December 2017 (PLN'000)***	***As at 31 December 2016 (PLN'000)***
Less than 1 year	1,604	1,988
1 to 5 years	7,906	1,965
Total	**9,510**	**3,953**

Future commitments in respect of the provision of broadcasting and other services

Future commitments in respect of the provision of broadcasting and other services	***As at 31 December 2017 (PLN'000)***	***As at 31 December 2016 (PLN'000)***
Less than 1 year	4,681	4,713
1 to 5 years	-	3,007
Total	**4,681**	**7,720**

Future commitments in respect of purchases of film licences:

Future commitments in respect of purchases of film licences	***As at 31 December 2017 (PLN'000)***	***As at 31 December 2016 (PLN'000)***
Less than 1 year	10,176	9,446
1 to 5 years	6,462	10,988
Total	**16,638**	**20,434**

In addition, based on an annex of 5 January 2018 to the Loan Agreement with CTN&P, the Company undertook to grant CTN&P the next tranches of the loan amounting to PLN 4,550 thousand.

5.11.3 Post balance sheet date events

On 23 January 2018, the Management Board of "Kino Polska TV" S.A. informed of its acquisition of 236 shares in Cable Television Networks & Partners Sp. z o.o. ("CTN&P") representing 30% of the share capital for PLN 10,000,000 (in words: ten million). The Issuer currently holds 100% of the shares in CNT&P's share capital.

On 20 February 2018, the Company signed an annex to the loan agreements with Stopklatka S.A. extending the repayment date until 31 March 2018.

On 7 March 2018, the Issuer and Agora S.A. signed a letter of intent regarding negotiations of a potential acquisition by the Issuer from Agora S.A. of shares in Stopklatka S.A. The signing of the letter of intent does not oblige any of the parties to execute the contemplated transaction. The letter of intent is valid until 30 June 2018.

On 22 March 2018, Kino Polska TV S.A. signed an investment loan agreement ("the Agreement") for PLN 10,000 thousand. In accordance with the Agreement, the investment loan is to be repaid on 28 February 2022. The interest rate on the loan was agreed as follows: WIBOR 3M + the bank's margin.