CYFROWY POLSAT S.A.
CAPITAL GROUP

Interim consolidated quarterly report for the three-month period ended March 31, 2014

Place and date of publication: Warsaw, May 15, 2014

Table of contents

Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group in the three-month period ended March 31, 2014

We have prepared this quarterly report as required by Paragraph 82 section 1 and 2 and Paragraph 87 of the Regulation of the Minister of Finance of 19 February 2009 concerning the submission of current and periodic information by the securities' issuers and the conditions of recognizing as equal the information demanded by the national lawful regulation of a country which does not hold the membership in European Union. The report also meets the requirements of section 4.15. of the Indenture for our 7.125% Senior Notes, dated May 20, 2011.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

References to the Company contained in this report of the Management Board on the activities of Cyfrowy Polsat S.A. Capital Group ("**Report**") apply to Cyfrowy Polsat S.A. (Cyfrowy Polsat) and all references to the Capital Group, Cyfrowy Polsat Group, Cyfrowy Polsat Capital Group or Polsat Group apply to Cyfrowy Polsat S.A. and its subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply to the Company; „**DTH**" relates to digital satellite platform services which we provide in Poland since 2001; "**SD**" relates to the television signal in the standard definition technology (Standard Definition); „**HD**" relates to the television signal in the high definition technology (High Definition); „**DVR**" relates to set-top boxes with hard disk used to record television channels (Digital Video Recorder); **"Familijny Package"** – programming package offered within the pay digital television service which includes subscribers to the following packages: Familijny Package, Familijny HD Package, Familijny Max HD Package and premium packages related to them; **"Mini Package"** – programming package offered within the pay digital television service, which includes subscribers to the following packages: Mini HD Package, Rodzinny HD Package, Extra Package (Mobile TV); "**Mobile TV**" relates to our pay mobile TV service rendered in DVB-T technology; "**Extra Package**" relates to the pay programming package offered within our services in DVB-T technology; "**DVB-T**" (Digital Video Broadcasting – Terrestrial) relates to technology of terrestrial broadcasting of digital television; "**DTT**" relates to digital terrestrial television; „**our pay digital TV services**" relate to our paid DTH, mobile and internet television services offered in both prepaid and postpaid models; "**Subscriber**" relates to a person who signed an agreement for subscription to pay digital television services and who is obligated, under the terms of agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages within pay digital television services, after making required monthly payments but without having signed such an agreement; „**ARPU**" relates to average monthly net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting period; „**ARPU Familijny Package**" and „**ARPU Mini Package**" relate to average monthly net revenue per subscriber to the Familijny Package and Mini Package, respectively; „**Churn**" relates to the churn rate, defined as the ratio of the number of contracts terminated during a 12-month period to the average number of contracts during such 12-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same 12-month period as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service; „**Churn Familijny Package**" and „**Churn Mini Package**" relate to churn rate calculated for the Familijny Package and Mini Package, respectively; "**Audience share**" relates to the share of television viewers tuned to a particular channel during a given period, expressed as a percentage of the total number of people watching TV, data are presented based on Nielsen Audience Measurement (NAM), 16-49 years of age group, all day; "**Advertising market share**" relates to the share of Cyfrowy Polsat Capital Group revenues from advertising and sponsoring in the total revenues from TV advertising in Poland, the source of our data on the size of the market is Starlink; "**GRP**" relates to gross rating point, defined as the number of people watching a particular spot at a specific time, expressed as a percentage within the target group. One GRP, as applied to Poland, is equal to 0.2 million inhabitants in the basic commercial target group (16-49 years old); "**Technical reach**" or "**Technical Coverage**" relate to the percentage of television households in Poland which have the technical ability to receive a given channel broadcast by Telewizja Polsat Sp. z o.o.; "**Real users**" relates to estimated number of people who at least once in the given month opened the internet application or the website; "**VoD**" or "**VOD - Home Movie Rental**" relate in general to our services in the video on demand category, while "**nVoD**" relates to our service "VoD - Home Movie Rental" - on TV; "**PPV**" relates to pay-per-view, pay access to chosen programming content; "**Catch-up TV**" relates to services enabling access to chosen programming content for a certain period of time after the original broadcast on TV channel; "**Multiroom**" relates to our service enabling to profit from the same variety of channels simultaneously on two TV-sets in one household within one subscription fee; „**MVNO**" relates to mobile virtual network operator services; "**Internet access services**" relates to broadband Internet access services; "**HSPA+**" relates to radio data transfer technology in mobile networks (High Speed Packet Access Plus); "**LTE**" relates to radio data transfer technology in mobile networks (Long Term Evolution), characterized by much higher data transfer speed, greater capacity and lower network latency; „**Integrated services**" relates to a bundle of two or more services from delivered by us pay TV services, mobile telephony services and Internet access services provided under one agreement and one subscription fee; "**IPLA**" relates to internet platform enabling access to video content operated by entities from Redefine Sp. z o.o. Group; "**CP**" relates to the company Cyfrowy Polsat S.A.; "**CPT**" relates to Cyfrowy Polsat Technology Sp. z o.o. (merged with Cyfrowy Polsat on December 31, 2012); "**CPTM**" relates to Cyfrowy Polsat Trade Marks Sp. z o.o.; "**Cyfrowy Polsat Finance**", "**CP Finance**" relate to Cyfrowy Polsat Finance AB (publ), Cyfrowy Polsat subsidiary registered in Sweden; "**Polkomtel**" or "**Plus**" refers to Polkomtel Sp. z o.o., operator of "Plus" mobile phone network; "**Metelem**" refers to Metelem Holding Company Limited with its registered office in Nicosia, Cyprus, who indirectly controls 100% shares in Polkomtel; "**Telewizja Polsat**" or "**TV Polsat**" relates to the company Telewizja Polsat Sp. z o.o.; "**TV Polsat Capital Group**" or "**TV Polsat Group**" relates to Telewizja Polsat Sp. z o.o. and its consolidated subsidiaries; **"Redefine Sp. z o.o. Group"** relates to Redefine Sp. z o.o. and its consolidated subsidiaries: Poszkole.pl Sp. z o.o. and Stat24 Sp. z o.o. (until the merger with Redefine Sp. z o.o. on November 30, 2012); "**INFO-TV-FM**" relates to the company INFO-TV-FM Sp. z o.o.; "**Polskie Media**" relates to Polskie Media S.A. (merged with Telewizja Polsat on December 31, 2013); "**Polsat Media**" relates to Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sk. k.; "**POLSAT**" relates to our main FTA channel, available also in digital terrestrial television; "**Polsat HD**" relates to our channel on which we broadcast the content of our main channel in HD technology; "**Polsat Sport**" relates to our sport channel dedicated to sports and major sports events in Poland and in the world; "**Polsat Sport HD**" relates to our channel on which we broadcast the content of Polsat Sport channel in HD technology (until the end of May 2012, the content of this channel differed from Polsat Sport); "**Polsat Sport Extra**" relates to our sport channel broadcasting premium sport events; "**Polsat Sport Extra HD**" relates to our channel on which we broadcast the content of Polsat Sport Extra channel in HD technology, the channel is broadcast since June 2012; "**Polsat Sport News**" relates to our sport channel dedicated to sport news available in digital terrestrial television; "**Polsat Film**" relates to our movie channel; "**Polsat Film HD**" relates to our channel on which we broadcast the content of Polsat Film channel in HD technology, the channel is broadcast since November 2012; "**Polsat Café**" relates to our lifestyle channel dedicated to women; "**Polsat Play**" relates to our lifestyle channel dedicated to men; "**Polsat2**" relates to our channel broadcasting mainly reruns of programs that premiered on our other channels; "**Polsat News**" relates to our 24-hour news channel; "**Polsat News HD**" relates to our channel on which we broadcast the content of Polsat News channel in HD technology, the channel began broadcasting in February 2014; "**Polsat Biznes**" relates to our channel dedicated to the latest news on the economy and financial markets, until February 2013 the channel operated under "TV Biznes" brand; "**Polsat Jim Jam**" relates to children's channel based mainly on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone; "**CI Polsat**" relates to the criminal channel, this channel is a joint project of Telewizja Polsat and British company A+E Networks UK; "**Polsat Food**" relates to culinary and lifestyle channel launched by Telewizja Polsat in cooperation with Scripps Networks Interactive in November 2012; "**Polsat Viasat Explore**" relates to a channel dedicated to men, broadcast based on cooperation between Viasat Broadcasting and Telewizja Polsat since March 2013; "**Polsat Viasat Nature**" relates to a nature channel dedicated to entire family, broadcast based on cooperation between Viasat Broadcasting and Telewizja Polsat since March 2013; "**Polsat Viasat History**" relates to a history channel broadcast based on cooperation between Viasat Broadcasting and Telewizja Polsat since March 2013; "**Polsat Romans**" relates to our channel launched in September 2013 broadcasting Polish and foreign series and feature movies targeted to women; "**Disco Polo Music**" relates to our newest music channel broadcasting disco polo, dance and folk music; "**TV4**" relates to general entertainment channel; "**TV6**" relates to general entertainment channel targeted to young audience; „**Shares**" relates to the shares of Cyfrowy Polsat S.A., which were introduced to public trading on the Warsaw Stock Exchange on 6 May 2008 and are marked with a code PLCFRPT00013; "**Senior Facilities**" relates to senior secured facilities under Senior Facilities Agreement ("**SFA**") with a syndicate of banks including Term Facility Loan **("Term Facility**") of PLN 1,400,000,000 (not in thousands) maturing December 31, 2015; and Senior Secured Revolving Facility Loan ("**Revolving Facility**") of up to PLN 200,000,000 (not in thousands) maturing December 31, 2015; "**New Senior Facilities**" relates to senior secured facilities under Senior Facilities Agreement ("**New SFA**") with a syndicate of banks including Term Facility Loan **("New Term Facility**") of PLN 2,500,000,000 (not in thousands) maturing April 11, 2019; and Senior Secured Revolving Facility Loan ("**New Revolving Facility**") of up to PLN 500,000,000 (not in thousands) maturing April 11, 2019; "**Senior Notes**" or "**Notes**" relates to 7.125% senior secured notes of EUR 350,000,000 (not in thousands) issued by Cyfrowy Polsat Finance AB on May 20, 2011; "**Indenture**" relates to the indenture dated May 20, 2011 governing the 7.125% Senior Notes; "**PLN**" or "**zloty**" refers to the lawful currency of Poland; "**USD**" or "**dollars**" refers to the lawful currency of the United States of America; and "**EUR**" or "**euro**" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time.

Financial and operating data

This quarterly report contains financial statements and financial information relating to the Company and the Group. In particular, this quarterly report contains our quarterly condensed consolidated financial statements for 3 months ended March 31, 2014 and quarterly condensed financial statements for the 3 months ended March 31, 2014. The financial statements attached to this interim report have been prepared in accordance with International Accounting Standard no. 34 "Interim Financial Reporting" ("IAS 34")("IFRS") and are presented in thousand zlotys. The financial statements were not audited by an independent auditor.

Certain arithmetical data contained in this quarterly report, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this quarterly report may not conform exactly to the total figure given for that column or row.

Currency presentation

Unless otherwise indicated, in this quarterly report all references to "PLN" or "zloty" are to the lawful currency of the Republic of Poland; all references to "U.S. $", "USD" or "US dollars" are to the lawful currency of the United States; and all references to "EUR", "€" or the "euro" are to the lawful currency of the member states of the European Union that adopted the single currency in accordance with the EC Treaty, which means the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on 2 October 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98.

All references to zloty, U.S. dollars and euro are in thousands, except ARPU, per share data and prices of our services unless otherwise stated.

Forward–looking statements

This quarterly report contains forward looking statements relating to future expectations regarding our business, financial condition and results of operations. You can find these statements by looking for words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this quarterly report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. We caution you not to place undue reliance on such statements, which speak only as at the date of this quarterly report.

The cautionary statements set out above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of publication of this quarterly report.

Industry and market data

In this Report we set out information relating to our business and the markets in which we operate and in which our competitors operate. The information regarding the market, its size, the market share, the market position, the growth rates and other industry data relating to our business and markets in which we operate consists of data and reports compiled by various third-party entities and our internal estimates. We have obtained market and industry data relating to our business from industry data providers, including:

- Eurostat, for data relating to the Polish economy and GDP growth;
- Nielsen Audience Measurement;
- Starlink;
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2012-2016);
- ZenithOptimedia;
- Megapanel PBI/Gemius; and
- Operators functioning on the Polish market.

We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Moreover, in numerous cases we have made statements in this Report regarding our industry and our position in the industry based on our own experience and our examination of market conditions. We cannot guarantee that any of these assumptions properly reflect our market position. Our internal surveys have not been verified by any independent sources.

1. Introduction

We are a leading integrated multimedia group in Poland with the number one position in pay TV through Cyfrowy Polsat, and a leading position in TV broadcasting through TV Polsat. Additionally to the offer of pay TV (delivered through satellite, terrestrial and the Internet), we provide our subscribers with broadband Internet access and mobile telephony services.

We operate through two business segments: our Retail business segment, comprising pay TV, broadband Internet and mobile telephony services and our Broadcasting and television production segment. Our two business segments produce revenue streams with distinct characteristics: retail subscription and related revenue (through our Retail business segment), and TV broadcasting advertising revenue (through our Broadcasting and television production segment).

Retail business segment

We are the largest pay TV provider in Poland and the fourth largest DTH platform in Europe in terms of the number of subscribers. We provide a comprehensive multimedia offer designed to appeal to the entire family. We provide DTH services, mobile television, access to broadband Internet in HSPA/HSPA+ and LTE and mobile telephony services (in MVNO model and since April 2012 based on cooperation with Polkomtel Sp. z o.o., operator of Plus network) for our subscribers. As at March 31, 2014 we had 3,527,519 pay digital television subscribers (including 701,733 subscribers to Multiroom service – y-o-y increase by 43.1%), 255,205 users of broadband Internet service (47.4% y-o-y increase) and the number of mobile telephony users amounted to 131,450 including 115,277 users of our MVNO service and 16,173 clients who bought Polkomtel's mobile telephony service within cross promotion.

We offer our subscribers access to over 140 Polish language TV channels, including general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. We offer all of Poland's main terrestrial channels, including POLSAT, TVP1 HD, TVP2 HD, TVN, TV4 and TV6, and we are the only DTH operator to offer the combination of Polsat Sport, Eurosport, Polsat Sport News and Polsat Sport Extra, the first, third, fourth and sixth most widely viewed sports channels in Poland in March 2014 in the commercial group 16-49 (NAM). In addition, we offer our subscribers access to 40 HD channels and also provide VoD/PPV, Catch-up TV and Multrioom services. We provide the subscribers to our Mobile TV service with access to 20 encrypted channels (8 television and 12 radio channels) and to all DTT channels, through various devices (including smartphones, tablets and laptops).

The majority of set-top boxes offered by us, which enable the reception of pay TV services, is produced in-house. In the first quarter of 2014 over 90% of sold or leased set-top boxes were manufactured in our own factory.

We are the owner of internet TV IPLA. IPLA is the leader on the online video market in Poland both in terms of availability on various devices (computers/laptops, tablets, smartphones, smart TVs, set-top boxes and game consoles) and range of offered content. IPLA has also a leading position in terms of the number of users and time spent on watching video content by an average user. According to our estimates, in the first quarter of 2014, the average number of users of IPLA application and website per month amounted to over 4.2 million.

We sell our services through a sales network covering the entire territory of Poland. We distribute our products and services through two main sales channels: retail sales channel and direct sales channel D2D ("door-to-door"). As at March 31, 2014 our sales network included 723 points of sales and 14 offices of direct sales D2D. In addition, since April 2012, within the cooperation with Plus network operator we run cross selling of services. As a result our standard offer, as of the end of March 2014, was available in an additional 768 points of sales of Polkomtel Sp. z o.o.

Broadcasting and television production segment

In TV broadcasting, we are one of the two leading private TV groups in Poland in terms of revenue and advertising market share. Our main channel, POLSAT, is the leader in terms of audience share with a 13.2% share in the first quarter of 2014.

We also broadcast thematic channels, which had a 9.3% combined audience share, and sell advertising on our channels and certain third-party channels. TV Polsat Group channels' portfolio consists of 25 stations including 5 HD channels. We broadcast general entertainment, sports, news, business, lifestyle, movie, music and children's channels. Based on data from Starlink, we estimate that we captured a 24.9% share of the approximately PLN 831.7 million (not in thousands) Polish TV advertising market in the first quarter of 2014.

Our television channels include: POLSAT, Polsat HD, TV4, TV6, Polsat Sport, Polsat Sport Extra, Polsat Sport HD, Polsat Sport Extra HD, Polsat Film, Polsat Film HD, Polsat Café, Polsat Play, Polsat2, Polsat News, Polsat News HD, CI Polsat , Polsat Biznes, Polsat Jim Jam, Polsat Sport News, Polsat Food, Polsat Viasat Explore, Polsat Viasat Nature, Polsat Viasat History, Polsat Romans and Disco Polo Music. POLSAT, our main channel, was the first commercial channel in Poland, that received a nationwide analogue license and broadcasts 24 hours a day, seven days a week. In the first quarter of 2014 it is the number one channel in Poland in terms of audience share. POLSAT airs a broad variety of movies (most of them created in the major US studios), lifestyle programs, news and feature programs, Polish and foreign series as well as popular sport events.

Our thematic channels are distributed via majority of cable networks in Poland including such operators as UPC, Multimedia and Vectra and via all major satellite platforms, excluding our sport channels to which Cyfrowy Polsat platform has exclusive rights.

Polsat Sport is a sports channel broadcasting major sports events in Poland and worldwide which are mostly broadcast live (volleyball, athletics, football, handball, world class boxing and MMA contests). Polsat Sport Extra is a sport channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon and handball Champions League. Polsat Sport HD and Polsat Sport Extra HD broadcast the content of both our sports channels in HD standard. Polsat Sport News is our new sport channel dedicated to sport news, it is an FTA channel broadcast within DTT technology. Polsat Film broadcasts hit movies, top box-office productions and non mainstream movies from a library of major US movie studios. Polsat Film HD is a version of our movie channel offering high definition broadcast. Polsat Café is our channel dedicated to women that focuses on lifestyle, fashion and gossip programs as well as talk-shows. Polsat Play is dedicated to men, its core programming concerns consumer gadgets, the automotive industry, angling and cult series. Polsat2 broadcasts reruns of programs that premiered on our other channels, it is also broadcast to Polish communities abroad (mainly in USA). Polsat News is a 24-hour news channel broadcasting live and covering primarily news from Poland and key international events. Polsat News HD broadcasts the content of Polsat News in high definition. CI Polsat is our criminal channel that takes its viewers to the world of crime providing the insight to criminal laboratories, police archives and courtrooms. Polsat Biznes covers the latest news on the economy and financial markets. Polsat Jim Jam is a children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone. Polsat Food is a culinary channel, based on the content library of Food Network's, one of the most popular channels on American television. This is a joint venture of TV Polsat and Scripps Network Interactive. Polsat Viasat Explore is a channel dedicated to men, simple-unusual people, who work hard and have fantastic fun realizing extraordinary dreams. Polsat Viasat Nature is a nature channel targeted to entire family, that aims to accompany wildlife researchers, veterinary doctors and celebrities in their journey developing knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat History is a channel offering viewers a journey to the past through high-quality programs, that entertain and educate at the same time; the content features historical events, that influenced the world's history. Polsat Viasat Explore, Polsat Viasat Nature and Polsat Viasat History operate based on the cooperation with Viasat Broadcasting. Disco Polo Music is a music channel broadcasting disco polo, dance and folk music. TV4 is a nationwide entertainment channel, whose programming offer includes feature movies, series, entertainment programs and sports. TV6 is a nationwide entertainment channel broadcasting popular entertainment formats in original versions, as well as series, entertainment programs and feature movies from Polsat's library. Both TV4 and TV6 are owned by TV Polsat since August 30, 2013. Both channels are available in digital terrestrial television. Polsat Romans is the newest channel in Polsat Group's portfolio – it was launched on September 1, 2013 and is targeted at women. The programming offer includes both feature movies and popular and much-liked Polish and foreign series.

2. Significant events

2.1. Significant events related to the transaction of acquisition of Metelem

In 2013 Cyfrowy Polsat decided to acquire Metelem, a special-purpose vehicle organised under the laws of Cyprus, which holds indirectly 100% of voting rights at Polkomtel, operator of the Plus mobile telecommunications network ("Transaction").

On November 14, 2013 and December 19, 2013, the Company and Metelem Shareholders: Argumenol Investment Company Limited with its registered seat in Nicosia, Cyprus ("Argumenol"), Karswell Limited with its registered seat in Nicosia, Cyprus ("Karswell"), Sensor Overseas Limited with its registered seat in Nicosia, Cyprus ("Sensor") and the European Bank for Reconstruction and Development (the "EBRD") executed two Investment Agreements related to the Transaction. Under the Investment Agreements, Metelem Shareholders agreed to contribute Metelem shares to the Company as payment for New Shares, which were issued as part of a conditional share capital increase and acquired in exercise of rights under Warrants. Upon completion of the Transaction, the Company acquired all Metelem shares, and indirectly all Polkomtel shares.

Execution of the Transaction required prior satisfaction of a number of conditions precedent, set out in detail in the Investment Agreements, including: (i) passing by the General Meeting of certain resolutions and registration by the competent court of the conditional increase of the Company's share capital; (ii) the Company obtaining refinancing, which would enable it to repay its debt under the Senior Facilities Agreement and Senior Notes; (iii) the approval by the Polish Financial Supervision Authority of the prospectus for the New Shares for the purpose of applying for their admission to trading on a regulated market operated by the Warsaw Stock Exchange; and (iv) the execution by the EBRD and the Company of a framework agreement on or before the day of acquisition of New Shares.

Conditional increase of the Company's share capital

In connection with the Investment Agreements, on January 16 and 24, 2014 the Extraordinary General Meeting adopted resolutions necessary for the execution of the agreements on the conditional share capital increase and on the issue of subscription warrants. Pursuant to the resolution on the conditional share capital increase, the Company's share capital was conditionally increased by up to PLN 11,647,727.20 through the issue of up to 291,193,180 new shares, that is up to 47,260,690 series I shares and up to 243,932,490 series J shares. Only the persons who subscribed for warrants issued under the resolution on the issue of subscription warrants were entitled to subscribe for the new shares. Each warrant carried the right to subscribe for one new share. Pursuant to the provisions of the resolution on the issue of subscription warrants, 47,260,690 series I warrants were offered to the EBRD, while 243,932,490 series J warrants were offered to the remaining shareholders of Metelem.

The conditional share capital increase was entered in the register of entrepreneurs of the National Court Register on April 2, 2014.

Refinancing of the debt of Cyfrowy Polsat Group

Pursuant to the provisions of the Investment Agreements one of the conditions precedent of the transaction of acquisition of 100% shares of Metelem requires the Company to obtain refinancing, which will enable it to repay its debt under the Senior Facilities Agreeement of March 31, 2011, as amended and the Senior Secured Notes issued pursuant to the Indenture of May 20, 2011 ("Refinancing").

Conclusion of the New Senior Facilities Agreement

On February 25, 2014 the Company initiated negotiations with a group of financial institutions to secure the Refinancing, which led to the execution, on April 11, 2014, of a New Senior Facilities Agreement by the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media with a syndicate of Polish and foreign banks.

The New Senior Facilities Agreement provides for a New Term Facility Loan of up to PLN 2,500 m (not in thousands) and a multi-currency New Revolving Facility Loan of up to the equivalent of PLN 500 m (not in thousands). Concurrently with the New Senior Facilities Agreement, an intercreditor agreement whose parties included the facility agents, the Company and its related parties was executed on April 11, 2014. The purpose of the agreement was to determine seniority of claims under the

New Senior Facilities Agreement. For more details on bank loans see section *Liquidity and capital resources* in item 12.6.2. *Financial situation review.*

Redemption of Senior Secured Notes

On April 7, 2014 Cyfrowy Polsat Finance AB (publ) filed a notice of redemption of all the EUR 350 million (not in thousands) 7.125% Senior Secured Notes due 2018 issued by Cyfrowy Polsat Finance under the Indenture of May 20, 2011.

In connection with the refinancing of debt under the Senior Notes, the Company executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna Oddział w Polsce; following execution of the last transaction on April 17, 2014, the total amount of the transactions was EUR 383 m (PLN 1,607.8 m, not in thousands). The transactions are to be settled on May 6, 2014 at the average PLN/EUR exchange rate of 4.1979.

Debt repayment

On May 7, 2014, the Company's entire indebtedness under the senior facility granted to the Company on the basis of the Senior Facilities Agreement and the Senior Secured Notes was repaid. The repayment of the Notes referred to above was related to the Company's repayment of Series A unsecured registered notes acquired fully by Cyfrowy Polsat Finance AB (publ), issued in 2011.

The funds for repayment of the loan facilities and the notes referred to above have been derived from a new term facility issued to the company pursuant to the New Facilities Agreement.

Establishment of security for the debt

In connection with the negotiations regarding obtaining of refinancing, on April 3, 2014 the Extraordinary General Meeting agreed to the conclusion of a pledge agreement by the Company and taking other steps to create a registered pledge over a set of assets representing an organizational whole with varying composition, forming part of the Company's business, to secure the repayment of the Company's debt financing which will be obtained under the refinancing, and the repayment of all other claims resulting from the financing documents.

On May 7, 2014, the Company, other members of the Company's group and UniCredit Bank AG, London Branch executed and concluded certain agreements and further documents in relation to establishing security interests related to the Senior Facilities Agreement concluded by the Company on April 11, 2014.

Additionally, the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Sp. o.o. Sp.k., Telewizja Polsat Sp. z o.o. and Polsat License Ltd. granted certain guarantees to each party of the Facilities Agreement and other finance documents executed in relation to the Facilities Agreement, governed by the English law, with respect to the following:

(i) timely performance of the obligations under the Facilities Agreement and other finance documents executed in relation to the Facilities Agreement;

(ii) payment of any monies due under the Facilities Agreement and other finance documents executed in relation to the Facilities Agreement; and

(iii) indemnifying the financing parties referred to above against any costs and losses that they may incur in relation to the unenforceability, ineffectiveness or invalidity of any obligation secured by the said guarantees.

The aggregate book value of the assets encumbered with the said security interests in the Company's and its subsidiaries' books is PLN 6,116,092. For further details see item 11 of this Report *Information on guarantees granted by the Company or subsidiaries.*

Approval of prospectus

On April 28, 2014 the Polish Financial Supervision Authority approved the prospectus of the Company's Series I and Series J shares prepared for the purposes of applying for the admission of these shares to trading on a regulated market operated by the Warsaw Stock Exchange. The issuance of Series I and Series J shares by the Company took place within the framework of the conditional increase of the Company's share capital approved by the Extraordinary General Meeting of the

Company on January 16, 2014. The issue of Series I and Series J shares was effected for the purposes of the takeover by the Company of all the shares in Metelem and the shares were acquired by Metelem shareholders in exchange for a non-cash contribution in the form of Metelem shares.

Adoption of a resolution on dividend distribution for the year 2013 by the Annual General Meeting

On April 29, 2014 the Annual General Meeting of the Company adopted the resolution on distribution of profit of the Company for the financial year of 2013 in the amount of PLN 429,012,674.99 (not in thousands) so that PLN 102,859,516.76 (not in thousands) is allocated to dividends payable to the shareholders of the Company, while the remaining portion of net profit, i.e. PLN 326,153,158.23 (not in thousands) is allocated to the supplementary capital ("Dividend Resolution").

The dividend day and the dividend payment day are set in relation to the satisfaction of the conditions stipulated in the resolution of the EGM of January 24, 2014 on the issue of subscription warrants, described below:

(i) in order for the Company to offer the subscription warrants issued under the resolution on the issue of subscription warrants to the shareholders of Metelem, the General Meeting of the Company was required to first adopt a resolution on the distribution of dividends in a total amount of no less than PLN 100 million (not in thousands);

(ii) the payment by the Company of the dividend was conditional on the delivery to the shareholders of Metelem, prior to the dividend day, of ordinary shares issued by the Company under the conditional share capital increase and on the Company's acquisition of shares in Metelem, hence the dividend day and the dividend payment day must fall after the Company shares are issued to the shareholders of Metelem and after the Company acquires shares in Metelem.

Following the acquisition of 100% of shares in Metelem by the Company on May 7, 2014, the above conditions were met within the timeframe set in the Dividend Resolution, therefore the dividend day is scheduled for May 22, 2014 and the dividend payment day for June 6, 2014.

The registration of the Company's Series I and Series J shares on the respective securities accounts of Metelem Shareholders on May 14, 2014, which is tantamount to the delivery of these shares to their acquirers, signifies the materialization of the last condition for the disbursement by the Company of dividend for fiscal year 2013, included in § 1 Section 3(i) of Resolution No. 20 of the Annual General Meeting of the Company of April 29, 2014 on the allocation of profit for the financial year 2013.

Satisfaction of conditions of a material agreement

On May 7, 2014 the last conditions referred to in an investment agreement concluded between the Company and the EBRD on December 19, 2013 (the "EBRD Investment Agreement") were satisfied thus triggering the parties' obligations to perform the transaction.

Pursuant to the EBRD Investment Agreement, on May 7, 2014 the Company executed with the EBRD the Framework Agreement, in which the Company undertook to act in compliance with EBRD's Designated Performance Requirements and Anti-Corruption Guidelines. The Framework Agreement sets out certain obligations of the Company, in particular with respect to environment protection, related to an EBRD's acquisition of Company' shares in consideration for non-cash contribution in the form of Metelem shares. The Framework Agreement will remain in force as long as the EBRD holds no less than 67.6% of the block of the Company shares acquired by the EBRD through the Transaction. Additionally, on May 7, 2014 the EBRD received a legal opinion concerning certain matters of the Polish law, which constituted another condition precedent for the performance of the EBRD Investment Agreement.

With all conditions precedent set out in the EBRD Investment Agreement and in an investment agreement concluded with other Metelem shareholders having been satisfied, on May 7, 2014 the parties to the Investment Agreements proceeded to closing the Transaction.

Issuance of subscription warrants, Series I and Series J shares and acquisition of Metelem shares by the Company

As part of the closing of the Transaction on May 7, 2014 the Company concluded subscription agreements concerning the acquisition of subscription warrants individually with Metelem Shareholders. In these agreements the Company offered registered subscription warrants to the Metelem Shareholders in such way that:

(i) the EBRD acquired 47,260,690 Series I registered subscription warrants;

(ii) Karswell acquired 157,988,268 Series J registered subscription warrants;

(iii) Sensor acquired 27,880,274 Series J registered subscription warrants; and

(iv) Argumenol acquired 58,063,948 Series J registered subscription warrants.

The subscription warrants represent rights to acquire shares of the Company in the course of a conditional share capital increase of the Company approved by the Company's Extraordinary General Meeting on January 16, 2014.

In executing the rights attached to the subscription warrants referred to above, on May 7, 2014 the shareholders of Metelem made statements on the acquisition of Series I and Series J shares, respectively, and paid up the new shares with non-cash contribution in the form of Metelem shares held by each of the shareholders (the issue price per share so paid up was PLN 21.12). In consequence, the Company acquired the ownership of 2,000,325 shares of Metelem, representing 100% of the capital and votes in that company.

Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0,04 each, including:

(i) 47,260,690 Series I shares acquired by the EBRD; and

(ii) in aggregate 243,932,490 Series J shares acquired by Karswell (157,988,268 Series J shares), Sensor (27,880,274 Series J shares) and Argumenol (58,063,948 Series J shares), respectively.

The total issue price for the shares acquired by the Metelem shareholders was PLN 6,149.9 million (not in thousands). The Series I and Series J shares were delivered to the respective shareholders of Metelem upon the registration of the shares acquired by those shareholder on their securities accounts, which to the Company's best knowledge, took place on May 14, 2014.

Admission and introduction of series I shares to stock exchange trading and admission of series J shares to stock exchange trading

On May 12, 2014, the Management Board of the Warsaw Stock Exchange (the "WSE") declared the admission to stock exchange trading on the main market of 47,260,690 ordinary series I bearer shares of the Company with a nominal value of PLN 0.04 each. The WSE Management Board also resolved to introduce the said shares to trading on the main market, effective May 14, 2014, subject to the registration of the shares and the assignment of the code PLCFRPT00013 to them by the National Depository for Securities on May 14, 2014.

Furthermore, the WSE Management Board resolved to admit to trading on the main market of 243,932,490 ordinary series J bearer shares of the Company with a nominal value of PLN 0.04 each.

Due to the fact that the Company's Series J shares are not shares of the same type as the Company's shares introduced to trading on WSE in terms of the rights to dividend and interim dividend incorporated in them, according to information contained in the Company's prospectus approved by the PFSA on 28 April 2014, it is the Company's intention to introduce its series J shares to trading on the WSE not earlier than the rights vested in series J shares of the Company are made identical to the rights vested in the Company's shares listed on WSE, i.e., not earlier than in the 2nd quarter of 2015.

On May 14, 2014 47,260,690 Series I shares marked with ISIN code PLCFRPT00013 and 243,932,490 Series J shares marked with ISIN code PLCFRPT00021 were registered in the depository of securities pursuant to the resolution of the Management Board of the NDS no. 454/14 of May 7, 2014.

Restructuring of Metelem Group debt

Following the closure of the Transaction, Cyfrowy Polsat intends to increase the capital of Metelem so as to facilitate partial repayment of indebtedness within the Metelem Group through the repayment by Eileme 1 AB (publ) of its indebtedness under 14.25% PIK Notes due in 2020.

In reference to the above the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on May 7, 2014, as a result of which the aggregate value of these transactions reached USD 290 million (PLN 877.2 million, not in thousands). The date of settlement of these transactions was defined as May 23, 2014, with the average exchange rate at the level of 3.0247 PLN/USD.

Rating actions taken by Moody's Investors Service

Following the closing of the Transaction on May 13, 2014 Moody's Investors Service ("Moody's") has changed the rating of Cyfrowy Polsat and assigned a rating to Eileme 2 AB (publ) ("Eileme 2"), indirectly controlling 100% shares of Polkomtel.

In line with earlier announcements, Moody's downgraded Cyfrowy Polsat's corporate family rating (CFR) to Ba3 with a stable outlook.

The Ba3 rating reflects the substantial increase in the Company's leverage following the acquisition of Polkomtel and the combined group's exposure to foreign currency fluctuations as part of Polkomtel's debt is denominated in foreign currency. The rating also accounts for the benefits for the Company's business profile resulting from the acquisition, comprising i.a. a material increase in size, as well as potential ARPU growth through bundling and cross-selling to an enlarged customer base. The rating was also positively affected by the Company's strong position on the market and its good liquidity with high free cash flow generation.

Concurrently, Moody's assigned a corporate family rating (CFR) to Eileme 2 at the level of Ba3 with a stable outlook.

The rating assigned to Eileme 2 reflects the expectation that Polkomtel's credit quality will improve following its incorporation into the financing structure of Cyfrowy Polsat, as well as benefits for the operator's business risk profile after the integration, which include ARPU growth and lower churn through bundling and cross-selling to an enlarged customer base. In its justification Moody's emphasized Polkomtel's leading position in the Polish mobile market, as well as its track record of generating solid profitability, its strong liquidity profile and systematic debt reduction.

2.2. Other significant events

Agreements on the provision of data transmission services

On March 27, 2014 the Company signed a subsequent Memorandum of Understanding ("Memorandum") to the agreement concluded between the Company and Mobyland in December 2010 on the provision of Data Transfer Services.

Under the Memorandum, the parties set a new, lower price per 1 MB of data transfer in the net amount of PLN 0.00477 (not in thousands) and decided that the unused as at the end of 2013, but already paid for data package will be recalculated in accordance with this new price. Thereby, as a result of the Memorandum, the volume of the unused, but already paid for data package in the HSPA+ and LTE technology, remaining at the Company's disposal as at the end of 2013, amounts to 20.1 million GB.

A framework agreement ("Agreement") was signed on March 27, 2014 between the Company and Polkomtel, concerning the terms of cooperation between parties as regards the provision of Data Transfer Services by Polkomtel for the Company. The parties agreed that the date of validity and moment of commercial start, following from the provisions of the abovementioned Agreement, will be January 1, 2014.

Within the framework of the aforesaid Agreement, Polkomtel will provide the Company with access to wireless data transfer, realized on the basis of LTE, HSPA+, HSPA and EDGE technologies. The maturity of the Agreement is unlimited and its value will be defined based on separate orders placed by the Company, regarding the purchase of Data Transfer Service, expressed as a number of GB.

On the Agreement date, the Company placed Order No. 1 with Polkomtel, regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the Order until December 31, 2016 and net price of PLN 0.00477 per 1 MB (not in thousands). The total value of Order No. 1 amounts to PLN 297,953,280 (not in thousands), and the payment will be settled in monthly installments, starting from January 2014, as follows:

(i) for every month from January 2014 to December 2014 - in the net amount of PLN 6,666,666.67 (not in thousands), which amounts to a total of PLN 80.00m (not in thousands) in 2014;

(ii) for every month from January 2015 to December 2015 - in the net amount of PLN 10,000,000.00 (not in thousands), which amounts to a total of PLN 120.00m (not in thousands) in 2015;

(iii) for every month from January 2016 to December 2016 - in the net amount of PLN 8,162,773.33 (not in thousands), which amounts to a total of PLN 97.95m (not in thousands) in 2016.

To summarize, as at the beginning of 2014, within the framework of the Memorandum of Understanding with Mobyland, the Agreement with Polkomtel and Order No. 1 placed with Polkomtel, the total volume of data packages at the Company's disposal amounted to approximately 80 million GB.

The signed Agreement is an important element in implementing the Company's strategy to provide its customers with multi-play services, a significant component of which is Internet access. The abovementioned data package enables the Company to achieve its business objectives over the medium term, while a lower price per 1 MB of data transfer allows the Company to present a more attractive offer to its customers, thus contributing to a faster rate of subscriber acquisition in the future and improvement of margins generated from telecommunications services.

New dividend policy for Cyfrowy Polsat S.A.

On January 22, 2014 the Management Board adopted a new dividend policy for the Company. The new dividend policy shall come into effect as of and first apply to the standalone net profit for the financial year ending 31 December 2014.

The Company intends to provide its shareholders with a share in the generated profit through the payment of dividends.

When recommending the Company's profit distribution scenario for a given financial year to which the new dividend policy will apply, the Management Board of the Company shall submit a proposal to the General Meeting for the distribution of dividends representing from 33% to 66% of the standalone net profit of the Company, provided that the total indebtedness ratio of the Company's capital group, i.e. net debt to EBITDA as at the end of the financial year to which the profit distribution refers is less than 2.5x.

When preparing the recommendation for the distribution of the Company's profit and the dividend payment proposal referred to in the preceding paragraph, the Management Board will also take into consideration: the amount of standalone net profit achieved by the Company, the financial condition of the Company's capital group, existing obligations (including any restrictions arising from financing agreements and indebtedness of the Company and other members of its group), the ability to use and manage capital reserves, the Management and Supervisory Boards' assessment of the prospects of the Company and its capital group in a particular market situation, as well as the need to make expenditures in pursuit of the overriding goal of the Company, that is its continued growth, in particular through acquisitions and engaging in new projects.

Operational fusion of Cyfrowy Polsat and Polkomtel's departments

Cyfrowy Polsat and Polkomtel established jointly managed departments within the structures of both companies. The jointly managed departments were created in key areas of operations for both companies: marketing, sales, customer service and retention and IT. The departments are headed by chosen executives from Cyfrowy Polsat and Polkomtel.

The merger of departments constitutes another significant step towards full integration of Polkomtel with Cyfrowy Polsat and the value creation of both companies. It is also help achieve the highest possible benefits and synergies resulting from the tightening of cooperation between the two companies.

smartDOM – joint program of Cyfrowy Polsat and Plus

On February 18, 2014, in line with the announced strategy of product and service integration for the modern home, Cyfrowy Polsat and Plus network launched a joint program - smartDOM, which allows to gain benefits from combining services from Cyfrowy Polsat and Plus such as television, LTE internet and telephone and saving with each additional service ordered for the portfolio of either operator. In April 2014 the program was extended to include financial services offered by PlusBank. The aim of the program is to achieve the announced revenue synergies.

On May 13, 2014 Plus and Cyfrowy Polsat introduced an offer addressed to existing clients – "Second product for half price, third for PLN 1". The new promotion is based on a simple and agile mechanism – it is sufficient to have one service for a subscription fee of at least PLN 49.90 and purchase a second and/or third service woth at least PLN 49.90 in order to gain attractive discounts for the entire duration of the subscription agreement: the second service costs PLN 24.95 and the third – PLN 1.

Benefits Passport – loyalty program

On May 13, 2014 Plus, Cyfrowy Polsat and PlusBank launched a loyalty program dedicated to their clients – Benefits Passport. Owners of the Benefits Passport receive among others special promotions for Plus, Cyfrowy Polsat and PlusBank products, access to smartDom and the offer "Second product for half price, third for PLN 1", discounts on products from the offers of the program's partners, tickets to the Men's Volleyball World Championships and other important sports events, as well as concerts, festivals and Telewizja Polsat entertainment shows, the opportunity to act in a Telewizja Polsat series and the possibility to participate in contests and raffles.

Currently the partners of the Benefits Passport comprise: AXA Assistance, the retail network belonging to Eurocash Group, Orlen, superpolisa.pl and Telepizza. Soon new partners from diverse industries will join them.

Expansion of Cyfrowy Polsat's programming offer

In the first quarter of 2014 Cyfrowy Polsat expanded its programming offer by 5 new channels: FilmBox Arthouse, Polsat News HD, TVP Sport HD, Stopklatka TV and ID HD. The programming offer of FilmBox Arthouse includes world cinema classics, as well as the works of less known directors, which can be seen mainly during film festivals. Polsat News HD is the twin of the information channel Polsat News broadcast in high definition. TVP Sport HD broadcasts football world championships, Olympic games and other popular sport disciplines. The programming schedule of Stopklatka TV includes European productions, world cinema and Polish movies. ID HD from Discovery Networks is a thematic channel dedicated to engrossing investigations and crimes, as well as moving stories, dramas and mysteries. .

Moreover, on March 22, 2014 the 26th KSW Gala took place. The event was available live in our "pay-per-view" (PPV) system to our subscribers and users of the largest internet TV IPLA.

Roll-out of LTE and HSPA/HSPA+ Internet coverage

Following development of our partners' networks, between the end of 2011 and the end of 2013, the coverage of the LTE network grew from 21% to about 67% of the Polish population (at the end of 2012, the coverage of the LTE network was about 48% of the population), whereas the coverage of the HSPA/HSPA+ network increased from 69% to nearly 100% of the Polish population (91% of at the end of 2012). The increased coverage of our broadband Internet access service helped increase the number of subscribers, which led to a significant increase in revenue from telecommunications services in the reviewed periods.

Extension of transmission rights to the next Formula 1 season

Telewizja Polsat concluded an agreement regarding the acquisition of rights to the transmission of Australia Grand Prix Formula 1 races on its channels. Starting with Australia Grand Prix, races will be broadcast in 2014 on Polsat Sport and Polsat Sport Extra, as well as on Polsat Sport HD and Polsat Sport Extra HD in high definition. Additionally, we provide our viewers with a coverage of all Grand Prix including Friday and Saturday training sessions, Saturday qualifications and the most important event of each weekend with Formula 1 – the Sunday race.

New channels under the Polsat brand

Starting on February 3, 2014 the information channel Polsat News is also available in High Definition. Similarly to Polsat News, Polsat News HD is a channel dedicated to viewers who value quick and reliable information. Each day the channel provides top stores from all over the world. The programming of the channel, broadcast in 16:9 format, is transmitted from one of the largest news studios in Europe.

Since May 1, 2014 Polsat Group offers its viewers a new music channel. Disco Polo Music will present disco polo, dance and festive music. Alongside lists of greatest hits and music clips, the channel will also offer shows, during which artists and fans of this music genre will recommend their favorites, programs with the latest news from the music industry: announcements of concerts, records, behind-the-scenes of clips, accounts of concerts and meetings with artists, interviews and rankings.

3. Selected financial data

The following tables set forth selected consolidated financial data for the 3-month periods ended March 31, 2014 and March 31, 2013. The information should be read in conjunction with our interim condensed consolidated financial statements for the 3-month period ended March 31, 2014 and the information included in point 12 of this quarterly report.

Selected financial data:

- from the interim consolidated income statements and the interim consolidated cash flow statement for the three-month periods ended March 31, 2014 and March 31, 2013 have been converted into euro at a rate of PLN 4.1845 per 1 euro, being the average of monthly average exchange rates announced by the National Bank of Poland (NBP) in the reporting period i.e. from January 1 to March 31, 2014;
- from the interim consolidated balance sheet data as at March 31, 2014 and December 31, 2013 have been converted into euro at a rate of PLN 4.1713 per 1 euro (an exchange rate published by NBP on March 31, 2014).

Such conversions should not be viewed as a representation that such zloty amounts actually represent such euro amounts, or could be or could have been converted into euro at the rates indicated or at any other rate.

In 2013 the results of the company Polskie Media S.A., acquired on August 30, 2013, were consolidated from August 30, 2013. Given the formal merger of Polskie Media S.A. and Telewizja Polsat Sp. z o.o. on December 31, 2013, the elimination of the effect of consolidation of Polskie Media is not possible.

	For the three-month period ended March 31,			
	2014		2013	
	PLN	EUR	PLN	EUR
Consolidated Income Statement				
Retail revenue	468,124	111,871	452,009	108,020
Advertising and sponsorship revenue	211,554	50,557	184,218	44,024
Revenue from cable and sattellite operator fees	24,970	5,967	24,867	5,943
Sale of equipment	7,888	1,885	13,112	3,133
Other revenue	10,234	2,446	22,870	5,465
Revenue	**722,770**	**172,726**	**697,076**	**166,585**
Total operating costs	**(507,463)**	**(121,272)**	**(512,966)**	**(122,587)**
Other operating income, net	3,613	863	504	120
Profit from operating activities	**218,920**	**52,317**	**184,614**	**44,119**
Gains on investment activities, net	1,761	421	3,835	916
Finance costs	(108,758)	(25,991)	(80,075)	(19,136)
Share of the profit of jointly controlled entity accounted for using the equity method	633	151	762	182
Gross profit	**112,556**	**26,898**	**109,136**	**26,081**
Income tax	(14,384)	(3,437)	(14,031)	(3,353)
Net profit	**98,172**	**23,461**	**95,105**	**22,728**
Basic and diluted earnings per share (not in thousands)	0.28	0.07	0.27	0.06
Weighted average number of issued ordinary and preference shares in PLN	348,352,836		348,352,836	
Consolidated Cash Flow Statement				
Net cash from operating activities	169,060	40,401	155,443	37,147
Net cash used in investing activities	(36,553)	(8,735)	(34,883)	(8,336)
Cash flow from/(used in) financing activities	(46,551)	(11,125)	(66,737)	(15,949)
Net change in cash and cash equivalents	85,956	20,542	53,823	12,862
Other consolidated financial data				
Depreciation, amortization, impairment and disposal	62,434	14,920	60,698	14,505
EBITDA(1)	281,354	67,237	245,312	58,624
EBITDA margin	38.9%	38.9%	35.2%	35.2%
Operating margin	30.3%	30.3%	26.5%	26.5%
Capital expenditures (2)	39,420	9,420	35,080	8,383

(1) We define EBITDA as net profit/(loss), as determined in accordance with IFRS, before depreciation and amortization (other than for programming rights), impairment charges and reversals on property, plant and equipment and intangible assets, net value of disposed property, plant and equipment and intangible assets, revenue obtained from interest, finance costs, positive/(negative) exchange rate differences, income taxes and share of net results of jointly controlled entities. The reconciling item between EBITDA and reported operating profit/ (loss) is depreciation and amortization expense and impairment charges and reversals on property, plant and equipment and intangible assets and net value of disposed property, plant and equipment and intangible assets.

We believe EBITDA serves as a useful supplementary financial indicator in measuring the liquidity of media companies. EBITDA is not an IFRS measure and should not be considered as an alternative to IFRS measures of net profit/(loss), as an indicator of operating performance, as a measure of cash flow from operations under IFRS, or as an indicator of liquidity. You should note that EBITDA is not a uniform or standardized measure and the calculation of EBITDA, accordingly, may vary significantly from company to company, and by itself our presentation and calculation of EBITDA may not be comparable to that of other companies.

(2) Capital expenditure represents our investment in fixed assets and intangible assets. It does not include expenditure on purchase of reception equipment leased to our subscribers which are reflected in the cash flow from operating activities.

(all financial data presented in PLN thousand, unless otherwise stated)

	As at			
	March 31, 2014		December 31, 2013	
	PLN	EUR	PLN	EUR
Consolidated balance sheet				
Cash and cash equivalents	428,190	102,651	342,251	82,049
Assets	5,851,194	1,402,727	5,676,230	1,360,782
Non-current liabilities	1,739,300	416,968	1,700,186	407,591
Current liabilities	1,003,545	240,583	974,831	233,700
Equity	3,108,349	745,175	3,001,213	719,491
Share capital	13,934	3,340	13,934	3,340

4. Organizational structure of Cyfrowy Polsat S.A. Capital Group

The following table presents the organizational structure of Cyfrowy Polsat S.A. Capital Group and entities consolidated using the full consolidation method as at March 31, 2014:

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2014
Parent Company			
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a
Subsidiaries			
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%
Cyfrowy Polsat Finance AB	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and television production	100%
Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k.(former Polsat Media Sp. z o.o.)	Ostrobramska 77, Warsaw	advertising activities	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%
Polsat Futbol Ltd.(1)	Office 1D 238-246 King St. London W6 0RF, UK	television activities	100%
Nord License AS	Vollsvseien 13B Lysaker, Norway	trade of programming licenses	100%
Polsat License Ltd.	Poststrasse 9 6300 Zug, Switzerland	trade of programming licenses	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and TV production	100%
Media-Biznes Sp. z o.o.	Ostrobramska 77, Warsaw	television activities	100%
Polsat Brands (einfache Gesellschaft)	Poststrasse 9 6300 Zug Switzerland	Intellectual property rights management	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%
Redefine Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%
Poszkole.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%
Gery.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%
Frazpc.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61	web portals activities	100%

(all financial data presented in PLN thousand, unless otherwise stated)

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2014
	A, Warsaw		
Netshare Sp. z o.o.	Al. Stanów Zjednoczonych 61 A, Warsaw	electronic media (Internet) advertising broker	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	99%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	99%
PL 2014 Sp. z o.o.(2)	Al. Stanów Zjednoczonych 53, Warsaw	other activity related to sports	60%

(1) Company was dissolved on January 21, 2014
(2) As at March1, 2014 the company has not begun activities

Investments accounted for under the equity method:

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2014
Polsat Jim Jam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%
Polski Operator Telewizyjny Sp. z o.o.*	Huculska 6, Warsaw	radio communications and radio diffusion	50%

* the company has suspended operations

Additionally, the following entities were included in these consolidated financial statements for the 3-month period ended March 31, 2014:

	Entity's registered office	Activity	Share in voting rights (%) March 31, 2014
Karpacka Telewizja Kablowa Sp. z o.o.*	Chorzowska 3, Radom	dormant	85%

* Investment accounted for at cost less any accumulated impairment losses

5. Changes in the organizational structure of Cyfrowy Polsat S.A. Capital Group and their effects

On January 21, 2014 the company Polsat Futbol Ltd. was dissolved. This change is part of the process of optimizing the structure and processes realized within the Capital Group.

6. Discussion of the difference of the Company's results to published forecasts

We did not publish any financial forecasts.

7. Shareholders possessing no less than 5% of the votes at General Meeting of the Company as of the date of publication of the interim report

The following table presents shareholders of Cyfrowy Polsat S.A. possessing - according to our best knowledge - no less than 5% of votes at the General Meeting of Cyfrowy Polsat S.A. as at the date of publication of this quarterly Report. The information included in the table is based on the information received from shareholders pursuant to Art. 69 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies ("Act on Public Offering"), taking into consideration the changes in the shareholding structure arising from the issue of shares in the Company, conducted as part of the acquisition of Metelem by the Company (see: Current Report No. 40/2014 of May 8, 2014).

(all financial data presented in PLN thousand, unless otherwise stated)

Shareholder	*Number of shares*	*% of shares*	*Number of votes*	*% of votes*
Zygmunt Solorz-Żak (indirectly), through:	**370,256,512**	**57.89**	**522,761,388**	**63.83**
TiVi Foundation (indirectly), through:	*154,204,296*	*24.11*	*306,709,172*	*37.45*
Pola Investments Limited, including:	*154,204,296*	*24.11*	*306,709,172*	*37.45*
- privileged registered shares	152,504,876	23.85	305,009,752	37.24
- ordinary bearer shares	1,699,420	0.27	1,699,420	0.21
Argumenol Investment Company Limited	*58,063,948*	*9.08*	*58,063,948*	*7.09*
Karswell Limited	*157,988,268*	*24.70*	*157,988,268*	*19.29*
Heronim Ruta (indirectly), through:	**53,221,546**	**8.32**	**78,262,921**	**9.56**
Sensor Overseas Limited, including:	*53,221,546*	*8.32*	*78,262,921*	*9.56*
- privileged registered shares	25,041,375	3.92	50,082,750	6.12
- ordinary bearer shares	28,180,171	4.41	28,180,171	3.44
European Bank for Reconstruction and Development	**47,260,690**	**7.39**	**47,260,690**	**5.77**
Others	**168,807,268**	**26.39**	**170,678,518**	**20.84**
Total	**639,546,016**	**100.00**	**818,963,517**	**100.00**

Changes in the structure of ownership of significant number of shares of the issuer in the period since the publication of the last periodic report

On March 13, 2014 the Company received a letter from TiVi Foundation with its registered office in Vaduz, Liechtenstein ("TiVi Foundation"), a dominant entity of the Company's majority shareholder Pola Investments Ltd. with its registered office in Nicosia, Cyprus ("Pola"). The letter refers to the status of Mr. Zygmunt Solorz-Żak as the entity dominant for TiVi Foundation, within the meaning of the Act on Public Offering, and therefore being a dominant entity for the Company, indirectly through the Foundation and Pola.

Furthermore, on April 24, 2014 the Company received notifications from Mr. Zygmunt Solorz-Żak and his subsidiaries - TiVi Foundation and Pola, issued pursuant to Article 69 of the Act on Public Offering.

The notifications concerned a change in Pola's share of the total number of votes at the Company's general meeting following the revocation by Sensor Overseas Limited with its registered office in Nicosia, Cyprus ("Sensor") of the power of attorney granted to Pola on February 7, 2013 to exercise by Pola voting rights vested in 20,791,375 privileged registered shares in the Company owned by Sensor, which constitute 5.97% of the Company's share capital, and vest the right to 41,582,750 votes at the Company's general meeting, constituting 7.88% of the total number of votes at the Company's general meeting ("Power of Attorney").

Prior to the revocation of the Power of Attorney, Pola held and was entitled, including under the Power of Attorney, to voting rights vested in 174,995,671 Company shares, constituting 50.24% of the Company's share capital. The shares held by Pola and the shares which the Power of Attorney, referred to in the foregoing sentence, vested on aggregate the right to 348,291,922 votes at the general meeting of the Company, constituting 65.99% of the total number of votes at the general meeting of the Company. The stake referred to in the foregoing sentences included:

(i) 173,296,251 privileged registered shares, constituting 49.75% of the Company's share capital and representing 346,592,502 votes at the Company's general meeting , which constitutes 65.67% of the total number of votes at the Company's general meeting, and

(ii) 1,699,420 dematerialized bearer shares, constituting 0.49% of the Company's share capital and representing 1,699,420 votes at the Company's general meeting, which constitutes 0.32% of the total number of votes at the Company's general meeting.

Following the revocation of the Power of Attorney (i.e. as at the day preceding the issuance of series I shares and series J shares, as described below) Pola held, and was authorized to exercise voting rights vested in 154,204,296 shares in the Company, constituting 44.27% of the Company's share capital. The shares held by Pola, referred to in the preceding sentence, vested in the right to 306,709,172 votes at the general meeting of the Company. The stake referred to in the foregoing sentences, constituting 58.11% of the total number of votes at the Company's general meeting, included:

(i) 152,504,876 privileged registered shares, constituting 43.78% of the Company's share capital and representing 305,009,752 votes at the Company's general meeting, which constitutes 57.79% of the total number of votes at the Company's general meeting, and

(ii) 1,699,420 dematerialized bearer shares, constituting 0.49% of the Company's share capital and representing 1,699,420 votes at the Company's general meeting, which constitutes 0.32% of the total number of votes at the Company's general meeting.

On May 7, 2014, the Company executed subscription warrant agreements with all shareholders of Metelem, i.e. the European Bank for Reconstruction and Development ("EBRD") and the following companies: Karswell Limited ("Karswell"), Sensor and Argumenol Investment Company Limited ("Argumenol"), under which the Company offered the Metelem shareholders to take up the subscription warrants and each of the shareholder accepted the Company's offer and took up, free of charge, the registered subscription warrants as follows:

(a) the EBRD took up 47,260,690 registered Series I subscription warrants;

(b) Karswell took up 157,988,268 registered Series J subscription warrants;

(c) Sensor took up 27,880,274 registered Series J subscription warrants; and

(d) Argumenol took up 58,063,948 registered Series J subscription warrants;

all giving the right to acquire the shares in the Company under the conditional share capital increase resolved by the Extraordinary General Meeting of the Company on January 16, 2014.

In the performance of their rights attached to the subscription warrants referred to hereinabove, on May 7, 2014 Metelem shareholders submitted their subscriptions for Series I and Series J shares in the Company and paid for the newly issued shares in kind in the form of the shares in Metelem held by these shareholders. In consideration of the in-kind contribution of the shares in Metelem, 291,193,180 ordinary bearer shares with a nominal value of PLN 0.04 each were taken up as follows:

(i) (i) 47,260,690 Series I shares were acquired by the EBRD; and

(ii) (ii) 243,932,490 Series J shares in total were acquired, respectively, by Karswell (157,988,268 Series J shares), Sensor (27,880,274 Series J shares) and Argumenol (58,063,948 Series J shares).

To the best of the Company's knowledge, Series I and Series J shares were delivered to Metelem shareholders on May 14, 2014 at the time of recording the Company's shares acquired by each Metelem shareholder on their respective securities accounts.

8. Changes in the number of shares of Cyfrowy Polsat S.A. owned by the members of the Management Board and the Supervisory Board

8.1. Members of the Management Board of Cyfrowy Polsat S.A.

The following table presents shares owned directly or indirectly by our Management Board members as at May 15, 2014, the date of publication of this quarterly Report, and changes in their holdings since the date of publication of our last periodic report (annual report for 2013) on February 27, 2014. The information included in the table is based on information received from members of our Management Board.

(all financial data presented in PLN thousand, unless otherwise stated)

Management Board Member	Balance as at February 27, 2014	Increases	Decreases	Balance as at May 15, 2014
Dominik Libicki, President of the Management Board	1,497	-	-	1,497

8.2. Members of the Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares controlled directly or indirectly by our Supervisory Board members as at May 15, 2014, the date of publication of this quarterly Report, and changes in their holdings since the date of publication of our last financial report (annual report for 2013) on February 27, 2014. The information included in the table is based on information received from members of our Supervisory Board, taking into consideration the changes in the shareholding structure arising from the issue of shares in the Company, conducted as part of the acquisition of Metelem by the Company (see: Current Report No. 40/2014 of May 8, 2014).

Supervisory Board Member	Balance as at February 27, 2013	Increases	Decreases	Balance as at May 15, 2014
Zygmunt Solorz-Żak (1) Chairman of the Supervisory Board	154,204,296	216,052,216	-	370,256,512
Heronim Ruta (2) Member of the Supervisory Board	25,341,272	27,880,274	-	53,221,546

(1) Mr. Zygmunt Solorz-Żak does not hold directly any shares in the Company. Information on entities controlled by Mr. Zygmunt Solorz-Żak and holding shares in the Company is presented in Item 7 hereinabove.

(2) Mr. Heronim Ruta does not hold directly any shares in the Company. Information on entities controlled by Mr. Heronim Ruta and holding shares in the Company is presented in Item 7 hereinabove.

9. Information on material proceedings at the court, arbitration body or public authorities against the Company or its consolidated subsidiaries

At the date of this Report the Group companies were not parties to or participants in any significant administrative, judicial or arbitration proceedings that could have a material effect on the Group's financial position or profitability.

10. Information on concluding by the Company or its subsidiaries material transactions with related parties concluded on conditions other than market conditions

In the three-month period ended March 31, 2014 we did not conclude any material transactions with related parties on conditions other than market conditions.

11. Information on guarantees granted by the Company or subsidiaries

As at March 31, 2014 no changes occurred as compared to the description included in the last financial report, that is the annual report for 2013 published on February 27, 2014.

After the reporting date, in connection with refinancing of debt under the Senior Facilities Agreement of March 31, 2011, as amended and Senior Secured Notes issued pursuant to the Indenture of May 20, 2011, on May 7, 2014 the entire security for the debts under the Senior Facilities Agreement and the Senior Notes was released.

On May 7, 2014, the Company, other members of the Company's group and UniCredit Bank AG, London Branch executed and concluded certain agreements and further documents concerning the following security interests related to the Senior Facilities Agreement concluded by the Company on April 11, 2014:

(i) registered pledges over variable collections of movable property and rights comprised in enterprises of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k. and Telewizja Polsat Sp. z o.o.;

(ii) financial and registered pledges on shares of Cyfrowy Polsat Trade Marks Sp. z o.o. (with a total nominal value of PLN 615,445,000) and Telewizja Polsat Sp. z o.o. (with a total nominal value of PLN 236,946,700), governed by the Polish law, together with powers of attorney to execute corporate rights attached to the shares in the said companies; the pledged shares represent 100% of the share capital of each company and are held by the Company as long-term capital investments;

(iii) financial and registered pledges on receivables under bank account agreements of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k. and Telewizja Polsat Sp. z o.o., governed by the Polish law;

(iv) powers of attorney to bank accounts of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k. and Telewizja Polsat Sp. z o.o., governed by the Polish law;

(v) ordinary and registered pledges on protective rights on trademarks vested in Polsat Brands (*einfache Gesellschaft*), governed by the Polish law;

(vi) assignment for security of certain property rights in Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością, governed by the Polish law;

(vii) contractual mortgage under the Polish law on real properties owned by the Company: (a) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register No. WA3M/00102149/9, (b) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register No.WA3M/00136943/2, (c) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register No. WA3M/00102615/7, (d) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register No. WA3M/00101039/8, (e) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register No. WA3M/00132063/1, (f) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register No. WA3M/00104992/7, (g) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register No. WA3M/00100109/3, (h) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register No. WA3M/00103400/4, (i) land located in Warsaw, Targówek district, vicinity of ul. Łubinowa, Title and Mortgage Register No. WA3M/00100110/3, (j) land located in Warsaw, Targówek district, ul. Łubinowa, Title and Mortgage Register No. WA3M/00131411/9;

(viii) assignment for security of receivables under hedge agreements of the Company, governed by the English law;

(ix) assignment for security of rights under insurance agreements covering the property referred to in item (i) above and item (vii) above;

(x) pledge on shares in Polsat License Ltd. (with a total nominal value of CHF 1,000,000), governed by the Swiss law; the pledged shares represent 100% of the company's share capital and are held by the Company as a long-term capital investment;

(xi) assignment for security of: (a) receivables due from various debtors, (b) receivables and rights to and in bank accounts and (c) rights under insurance agreements of Polsat License Ltd., governed by the Swiss law;

(xii) assignment for security of rights under a license agreement between Polsat Brands (*einfache Gesellschaft*) and Polsat License Ltd., and rights under bank account agreements, governed by the Swiss law;

(xiii) pledge on interests and property rights in Polsat Brands (*einfache Gesellschaft*), governed by the Swiss law; and

(xiv) statements of the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k. and Telewizja Polsat Sp. z o.o. on submission to enforcement on the basis of a notarial deed, governed by the Polish law. The registered pledges will be effective upon their registration in the Register of Pledges. The mortgage will be effective upon its registration in the relevant Title and Mortgage Register. The security interests have been established in favor of Unicredit Bank AG, London Branch, acting as security agent.

Additionally, the Company, Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp.k., Telewizja Polsat Sp. z o.o. and Polsat License Ltd. granted certain guarantees to each party of the Facilities Agreement and other finance documents executed in relation to the Facilities Agreement, governed by the English law, with respect to the following:

(i) timely performance of the obligations under the Facilities Agreement and other finance documents executed in relation to the Facilities Agreement;

(ii) payment of any monies due under the Facilities Agreement and other finance documents executed in relation to the Facilities Agreement; and

(iii) indemnifying the financing parties referred to above against any costs and losses that they may incur in relation to the unenforceability, ineffectiveness or invalidity of any obligation secured by the said guarantees.

The aggregate book value of the assets encumbered with the said security interests in the Company's and its subsidiaries' books account is PLN 6,116,092.

12. Other information important for the assessment of the Company's personnel, economic and financial position, as well as its financial results

12.1. Revenue

Revenue is derived from (i) retail sales, (ii) advertising and sponsorship, (iii) fees from cable and satellite operators, (iv) sale of equipment and (v) other revenue sources.

Retail subscription revenue

Retail revenue consists primarily of (i) monthly subscription fees paid by our pay digital television subscribers for programming packages, (ii) fees for the leasing of set-top boxes, (iii) activation fees, (iv) penalties due to termination of contracts (v) monthly subscription fees and other revenue from users of our Internet and mobile telephony services and (vi) fees for extra services such as nVoD. The total amount of pay digital television subscription fees depends on the number of subscribers and the amount of monthly subscription fees paid for our packages. Activation fees are collected up-front and amortized over the life of the contract. Retail subscription revenue also includes non-advertising revenue of the companies of Redefine Sp. z o.o. Group, consolidated since April 2, 2012 (primarily revenue from subscription of IPLA and PPV service in IPLA).

Sales of advertising and sponsorship

Our revenue from advertising and sponsorship is generated mainly by TV Polsat Group (approximately 99%), which include since September 2013 revenue generated by the companies of Polskie Media, the remaining 1% relates to the revenue from sale of marketing and advertising services generated by the Group and revenue from advertising generated by Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o. (consolidated from the second quarter of 2012). We sell advertising on our channels either on a rate-card basis, which reflects the timing and duration of an advertisement, or on a cost per gross rating point, or GRP, basis. A GRP is defined as the number of people watching a particular spot at a specific time. Unlike audience share, which is defined as the number of people watching a particular program at a particular time and is expressed as a percentage of the total number of people watching TV, GRP is expressed as a percentage of the target group. We set and publish rate-card prices on monthly basis. Rate-card pricing is, on average, higher than GRP pricing, as advertisers select the specific advertising breaks, which they believe best meet their marketing objectives. We determine the placement of advertising breaks sold on a GRP basis based on the availability of airtime after the booking of rate-card sales, and advertisers only pay for the actual number of rating points delivered in the relevant commercial breaks.

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees consists primarily of revenue generated by TV Polsat Group and includes fees from satellite platforms and cable TV networks operators for rebroadcasting our channels.

Sale of equipment

Sale of equipment consists mostly of revenue from sale of set-top boxes, STB hard disk drives, antennas, Internet modems, tablets, laptops, routers and mobile handsets to our subscribers when they enter into DTH, broadband Internet and mobile telephony services agreements. The sale price of equipment depends on the model, the tariff plan within Internet and telecommunications services purchased by the subscriber and the duration of the agreement.

Other revenue

Other revenue sources consist primarily of revenue from:

(i) sale of broadcasting and signal transmission services;
(ii) the lease of premises and facilities;
(iii) sales of licenses, sublicenses and property rights;
(iv) revenue from phone calls to call center;
(v) other services.

12.2. Operating costs

Operating costs consist of:

(i) programming costs;
(ii) costs of internal and external TV production and amortization of sport rights;
(iii) distribution, marketing, customer relation management and retention costs;
(iv) depreciation, amortization, impairment and disposal;
(v) salaries and employee-related costs;
(vi) broadcasting and signal transmission costs;
(vii) amortization of purchased film licenses;
(viii) cost of settlements with mobile network operators and interconnection charges;
(ix) costs of equipment sold;
(x) cost of debt collection services and bad debt allowance and receivables written off; and
(xi) other costs.

Programming costs

Programming costs consist of:

(i) monthly license fees due to television broadcasters and distributors and
(ii) royalties due to collective copyright management organizations and the Polish Film Institute.

Costs of internal and external TV production and amortization of sport rights

These costs include production costs for TV programs specifically produced by or for us, either under licenses from third parties or under our own licenses. These costs include also amortization of sport broadcasting rights. Amortization of TV production is based on the estimated number of showings and type of programming content. Amortization of sport broadcasting rights is recognized in 100% on the first broadcast or on a straight-line basis over the seasons or competitions.

Distribution, marketing, customer relation management and retention cost

Distribution costs consist of (i) commissions due to the distributors consisting of the amounts due both to distributors and retail points of sale when they conclude sale or retention agreements with our subscribers for pay television, broadband Internet and mobile telephony services and (ii) costs of courier services, distribution of reception equipment and costs associated with services of our regional agents. Marketing expenses consist of expenses for TV and radio commercials, press and website advertising, promotional activities and materials, as well as other expenses incurred to increase sales and brand recognition. Customer relation management and retention costs consist of mailing costs, call centre costs and other customer relation management costs.

Depreciation, amortization, impairment and disposal

Depreciation, amortization, impairment and disposal costs primarily consist of depreciation of set-top boxes leased to our subscribers, plant and equipment, depreciation of TV and broadcasting equipment and amortization and depreciation of intangible assets and telecommunications equipment related to our mobile telephony services, as well as non-current assets impairment allowance, and net value of disposed property, plant and equipment as well as intangible assets, no longer suitable for use.

Salaries and employee-related costs

Salaries and employee-related expenses consist of salaries paid to employees under employment contracts (excluding salaries and social security contributions of factory employees, which are included in the costs of manufacturing the reception equipment and salaries and social security contributions relating to employees directly involved in the production of TV programmes which are presented as part of the costs of internal TV production) or project-specific contracts, managerial contracts, remuneration of our Supervisory Board members, social security costs and other employee benefits.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs consist of:

(i) payments for the lease of satellite transponder capacity;
(ii) payments for the use of conditional access system based on the number of access cards;
(iii) TV broadcasting costs (analog and digital terrestrial transmission);
(iv) costs related to transmission of DVB-T signal; and
(v) other signal transmission costs.

Amortization of purchased film licenses

These costs include amortization of rights to TV programming content produced by third parties and licensed to us. Amortization is based on the estimated number of showings and the type of programming content.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges include costs related to MVNO services – domestic and international roaming and InterConnect (depending on the number of connections, text and multimedia messages realized) as well as costs related to internet services – costs of data transfer service.

Cost of equipment sold

Cost of equipment sold relates mostly to set-top boxes, STB hard disk drives, antennas, Internet modems, routers, tablets, laptops and mobile handsets that we sell to our customers.

Cost of debt collection services and bad debt allowance and receivables written off

In this group of costs we present:

(i) bad debt recovery fees, previously included in distribution, marketing, customer relation management and retention costs;
(ii) bad debt allowance and the cost of receivables written off, previously included in other operating costs.

Other costs

Key items of other costs include:

(i) infrastructure rental and network maintenance cost;
(ii) the cost of SMART and SIM cards provided to customers;
(iii) IT services costs;
(iv) property maintenance costs;
(v) guarantee services costs;
(vi) legal, advisory and consulting costs;

(vii) taxes and other charges;
(viii) the cost of licenses and other current assets sold;
(ix) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production;
(x) costs of purchase of advertising space generated by the companies from Redefine Sp. z o.o. Group, Netshare Sp. z o.o., Frazpc.pl Sp. z o.o. and Gery.pl Sp. z o.o.; and
(xi) other costs.

12.3. Other operating income/costs, net

Other operating income/costs consists of:

(i) compensations from customers and distributors for failing to return equipment or returning damaged equipment;
(ii) inventory impairment write-downs/reversals;
(iii) other operating revenue/costs, not derived in the ordinary course of business.

12.4. Gains and losses on investment activities

Gains and losses on investment activities include interest income on funds invested, interest expenses (other than interest expenses on borrowings), dividends income, results on the disposal of available-for-sale financial instruments, fair value gains/losses on financial instruments at fair value through profit or loss, net foreign currency gains/losses (other than on valuation of Senior Notes), impairment losses recognized on financial assets, unwinding of the discount on provisions.

12.5. Finance costs

Finance costs comprise interest expense on borrowings (including bank loans and Senior Notes), foreign exchange gains/losses on Senior Notes, bank and other charges on borrowings as well as guarantee fees resulting from the indebtedness resulting from SFA and Indenture.

12.6. Management discussion and analysis

12.6.1. Operating results

Retail business segment

We consider the number of subscribers, churn rate and ARPU when analyzing and evaluating our Retail business segment. The table below sets forth these key performance indicators for the relevant periods and is followed by a detailed explanation of each key performance indicator.

(all financial data presented in PLN thousand, unless otherwise stated)

	3 months ended March 31,		
	2014	**2013**	**Change / %**
Number of subscribers at the end of the period, of which:	**3,527,519**	**3,555,806**	**-0,8%**
Familijny Package	2,672,804	2,750,438	-2,8%
Mini Package	854,715	805,368	6,1%
Average number of subscribers (1), of which:	**3,531,673**	**3,540,967**	**-0,3%**
Familijny Package	2,678,897	2,744,748	-2,4%
Mini Package	852,776	796,219	7,1%
Churn rate of which:	**9.3%**	**8.7%**	**0.6 p.p.**
Familijny Package	9.2%	9.1%	0.1 p.p.
Mini Package	9.8%	7.3%	2.5 p.p.
Average revenue per user (ARPU) (PLN), of which:	**40.9**	**40.3**	**1.5%**
Family Package (PLN)	49.6	48.2	2.9%
Mini Package (PLN)	13.6	13.2	3.0%

(1) Calculated as the sum of the average number of subscribers in each month of the period divided by the number of months in the period. Average number of subscribers per month is calculated as the average of the number of subscribers on the first and the last business day of the month.

Subscribers

We define a "subscriber" as a person who signed an agreement for subscription to pay digital television services and who is obligated, under the terms of agreement, to make payments to access a package or packages of television and radio channels or who has access to such packages within pay digital television services, after making required payments but without having signed such an agreement. The number of our subscribers was approximately 3,527.5 thousand subscribers as at March 31, 2014 and remained at a similar level compared to approximately 3,555.8 thousand subscribers as at March 31, 2013. Familijny Package subscribers constituted 75.8% and 77.4% of our entire subscriber base as at March 31, 2014 and 2013, respectively.

Churn rate

We define "churn rate" as the ratio of the number of contracts terminated during a twelve-month period to the average number of contracts during such twelve-month period. The number of terminated contracts is net of churning subscribers entering into a new contract with us no later than the end of the same twelve-month period as well as of subscribers who used to have more than one agreement and terminated one of them to replace it with the commitment to use Multiroom service. Our churn rate amounted to 9.3% in the twelve-month period ended March 31, 2014 as compared to 8.7% in the twelve-month period ended March 31, 2013. The churn rate of the Familijny Package remained at an unchanged level of a little over 9.0%, while the churn rate of Mini Package decreased by 2.5 percentage points.

ARPU

We define "ARPU" as the average net revenue per subscriber to whom we rendered services calculated as a sum of net revenue generated by our subscribers from our pay digital television services in the reporting period divided by the average number of subscribers to whom we rendered services in this reporting period. ARPU increased by 1.5% to PLN 40.9 in the first quarter of 2014 from PLN 40.3 in the first quarter of 2013. Familijny Package ARPU increased by 2.9%, to PLN 49.6 in the first quarter of 2014 from PLN 48.2 in the first quarter of 2013. Mini Package ARPU increased by 3.0%, to PLN 13.6 in the first quarter of 2014 from PLN 13.2 in the first quarter of 2013. The growth in ARPU was due to the migration of subscribers to higher programming packages and revenue from additional services, including Multiroom, VoD and internet television.

(all financial data presented in PLN thousand, unless otherwise stated)

Television broadcasting and production segment

We consider audience share by channel, advertising market share and technical reach when analyzing and evaluating our Television broadcasting and production segment. The following tables set forth these key performance indicators for the relevant periods and are followed by a detailed explanation of each key performance indicator.

	3 months ended March 31,		
	2014	**2013**	***Change / %***
Audience share[(1) (7)], including:	**22.50%**	**20.20%**	***11.39%***
POLSAT (main channel)	**13.20%**	**14.56%**	***-9.34%***
Thematic channels[(7)]	**9.3%**	**5.64%**	***64.89%***
Polsat2	1.56%	1.84%	*-15.22%*
Polsat News	0.96%	0.78%	*23.08%*
Polsat Sport	0.42%	0.63%	*-33.33%*
Polsat Sport Extra	0.12%	0.15%	*-20.00%*
Polsat Sport News	0.25%	0.25%	*0.00%*
Polsat Film	0.61%	0.41%	*48.78%*
Polsat JimJam [JimJam]	0.24%	0.34%	*-29.41%*
Polsat Cafe	0.41%	0.40%	*2.50%*
Polsat Play	0.60%	0.51%	*17.65%*
CI Polsat	0.09%	0.10%	*-10.00%*
Polsat Biznes[(2)]	0.06%	0.05%	*20.00%*
Polsat Food	0.08%	0.10%	*-20.00%*
Polsat Viasat Explore[(3)]	0.06%	0.04%	*50.00%*
Polsat Viasat History[(3)]	0.13%	0.17%	*-23.53%*
Polsat Viasat Nature[(3)]	0.03%	0.02%	*50.00%*
Polsat Romans[(5)]	0.13%	--	--
TV4[(6)]	2.54%	2.96%	*-14.19%*
TV6[(6)]	1.01%	0.44%	*129.55%*
Advertising market share[(4)]	**24.9%**	**23.0%**	***8.4%***

(1) NAM, All day ages 16-49 audience share.
(2) Until February 2013 the channel operated under "TV Biznes".
(3) The channels operate under the Polsat brand since March 2013, data for Q1 2013 include March 2013
(4) Our estimates based on Starlink data
(5) Channel broadcast since September 2013, data for the period of broadcasting.
(6) Channel included in Polsat Group since September 2013, data relate to full periods indicated in the table above
(7) When calculating the total audience share of Polsat Group and audience share of thematic channels, we take into account the moment of including the channel into our portfolio (audience share of Polsat Viasat channels are included since March 2013, and audience share of Polsat Romans, TV4 and TV6 are included since September 2013, other months are calculated as zero audience share).

(all financial data presented in PLN thousand, unless otherwise stated)

Polsat channels; technical reach[(1)]

	3 months ended March 31,		
	2014	**2013**	***Change / %***
Polsat	99.8	98.8	*1.0%*
Polsat2	64.6	62.5	*3.4%*
Polsat Biznes [(2)]	55.8	54.0	*3.3%*
Polsat News	55.4	53.4	*3.7%*
Polsat Cafe	54.5	52.2	*4.4%*
Polsat Sport	50.3	48.4	*3.9%*
Polsat Play	46.6	41.1	*13.4%*
Polsat JimJam	42.1	38.2	*10.2%*
Polsat Film	50.8	45.4	*11.9%*
Polsat Sport News	88.4	67.3	*31.4%*
Polsat Sport Extra	35.4	32.8	*7.9%*
CI Polsat	37.5	33.7	*11.3%*
Polsat Food	21.4	20.0	*7.0%*
Polsat Viasat Explore [(3)]	25.8	19.5	*32.3%*
Polsat Viasat History [(3)]	36.3	28.0	*29.6%*
Polsat Viasat Nature [(3)]	24.0	15.8	*51.9%*
Polsat Romans [(4)]	36.6	--	--
TV4	99.5	93.7	*6.2%*
TV6	89.1	73.4	*21.4%*

[1] NAM, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach
[2] Until February 2013 the channel broadcast under TV Biznes
[3] Channel broadcast based on cooperation of TV Polsat and Viasat Broadcasting since March 2013 (data for prior periods relate to the technical reach before the cooperation with TV Polsat)
[4] Channel broadcast since September 2013

Audience share

Viewers were attracted by the fixed slots on our main channel's schedule, such as Monday's cycle Mega Hit, that gathered on average 1.3 million viewers in the first quarter of 2014, which translated into 21.2% audience share, as well as analogical Tuesday's slot gathering almost 1.1 million viewers (16.7% audience share). Friday's film slot, which broadcast family films, gathered only a slightly lower audience exceeding 1 million viewers, with an audience share of 16.2%. Another fixed element of the scheduling, *Pierwsza Milosc* series, attracted on average 1.2 million viewers, reaching a 24.0% audience share. The news programme *Wydarzenia* maintained a high audience level of 1.2 million viewers on average, with an audience share of 21.0%.

The results of the first quarter were significantly influenced by novelties included in the spring scheduling. The largest audience was gathered by the show *Your face sounds familiar,* which attracted an average of 1.4 million viewers (26.0% audience share). Another new show, *Dancing with the Stars. Taniec z gwiazdami*, gathered on average 1.3 million viewers and had a 20.8% audience share. Another key programming position was *Must be the Music. Tylko muzyka.* The Sunday slots dedicated to this show had, on average, 1.3 million viewers and 18.2% audience share. Also *Śmiechosteron, czyli 10-lecie Kabaretu Skeczów Męczących,* broadcast in January 2014 gained a large audience of 2.1 million viewers and 27.7% audience share.

The introduction of TV4 and TV6 to Telewizja Polsat Group increased audience shares of all the Group's channels, as well as of thematic channels alone. In terms of the Group's thematic channels, the highest audience shares in the first quarter of 2014 were recorded by TV4, Polsat2, TV6 and Polsat News. The thematic channels with the highest audience growth dynamics (compared to the first quarter of 2013) were TV6, Polsat Viasat Explore , Polsat Viasat Natuer and Polsat Film. The audience results of Polsat Group include also the audience of the new channel Polsat Romance, launched in September 2013, whose audience share in the first quarter of 2014 reached 0.13%.

Advertising market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the first quarter of 2014 amounted to PLN 831.7 million (not in thousands) and increased year-on-year by 4.7%. Based on these data, we estimate that our TV advertising market share in the first quarter of 2014 increased y-o-y to 24.9% from 23.0% share in TV advertising expenditures in the first quarter of 2013.

Distribution and technical reach

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. The largest annual growth in technical reach in the first quarter of 2014 was recorded by channels created in cooperation with Viasat Broadcasting. Over the last year the distribution of the channels Polsat Viasat Explore, Polsat Viasat History and Polsat Viasat Nature significantly expanded. Other stations, which improved their technical reach considerably, include TV6 and Polsat Sport News. This result was due i.a. to increased distribution of digital terrestrial television. Polsat Romans is a new channel, broadcast since September 2013.

12.6.2. Review of the financial situation

The following review of results for the 3-month period ended March 31, 2014 was prepared based on the interim condensed consolidated financial statements for the 3-month period ended March 31, 2014, prepared in accordance with International Accounting Standard 34 and internal analysis.

All financial data is expressed in thousands of PLN.

In 2013 the results of the company Polskie Media S.A., acquired on August 30, 2013, were consolidated from August 30, 2013. Given the formal merger of Polskie Media S.A. and Telewizja Polsat Sp. z o.o. on December 31, 2013, the elimination of the effect of consolidation of Polskie Media is not possible.

Comparison of financial results for the three-month period ended March 31, 2014 with the results for the corresponding period of 2013

Revenue

Our total revenue increased by PLN 25,694, or 3.7%, to PLN 722,770 for the three-month period ended March 31, 2014 from PLN 697,076 for the three-month period ended March 31, 2013. Revenue grew for the reasons set forth below.

Retail revenue

Retail revenue increased by PLN 16,115, or 3.6%, to PLN 468,124 for the three-month period ended March 31, 2014 from PLN 452,009 for the three-month period ended March 31, 2013. This increase primarily resulted from an increase in DTH subscription fee revenue and an increase in revenue from telecommunication services.

Advertising and sponsorship revenue

Advertising and sponsorship revenue increased by PLN 27,336, or 14.8%, to PLN 211,554 for the three-month period ended March 31, 2014 from PLN 184,218 for the three-month period ended March 31, 2013.The increase was mainly due to higher revenue from advertising generated by Telewizja Polsat, related primarily to revenue generated by the channels TV4 and TV6 (consolidated since September 1, 2013).

Revenue from cable and satellite operator fees

Revenue from cable and satellite operator fees remained at an unchanged level compared to the corresponding period of the prior year and amounted to PLN 24,970 .

Sale of equipment

Revenue from the sale of equipment decreased by 5,224, or 39.8%, to PLN 7,888 in the first quarter of 2014 from PLN 13,112 in the first quarter of 2013, primarily due to a significant decrease in sales of devices for the reception of Mobile TV in

(all financial data presented in PLN thousand, unless otherwise stated)

DVB-T technology. In the corresponding period, the large volume of sales of these devices was the result of the gradual process of switching off if the analogue TV signal and replacing it with the digital signal in DVB-T technology.

Other revenue

Other revenue decreased by PLN 12,636, or 55.2%, to PLN 10,234 for the three-month period ended March 31, 2014 from PLN 22,870 for the three-month period ended March 31, 2013. The decrease was mainly due to lower revenue from signal transmission services as a consequence of the sale of RS TV in August 2013.

Total operating costs

	For the three-month period ended March 31,		
	2014	2013	Change / %
Programming costs	104,381	99,155	5.3%
Cost of internal and external TV production and amortization of sport rigths	78,751	75,604	4.2%
Distribution, marketing, customer relation management and retention costs	75,332	78,990	-4.6%
Depreciation, amortization, impairment and disposal	62,434	60,698	2.9%
Salaries and employee - related costs	44,638	43,090	3.6%
Broadcasting and signal transmission costs	40,613	38,004	6.9%
Amortization of purchased film licenses	27,519	32,661	-15.7%
Cost of settlements with mobile network operators and interconnection charges	23,151	15,759	46.9%
Cost of equipment sold	10,276	25,923	-60.4%
Cost of debt collection services and bad debt allowance and receivables written off	6,721	6,430	4.5%
Other costs	33,647	36,652	-8.2%
Total operating costs	**507,463**	**512,966**	**-1.1%**

Total operating costs decreased by PLN 5,503, or 1.1%, to PLN 507,463 for the three-month period ended March 31, 2014 from PLN 512,966 for the three-month period ended March 31, 2013. Costs decreased for the reasons set forth below.

Programming costs

Programming costs increased by PLN 5,226, or 5.3%, to PLN 104,381 for the three-month period ended March 31, 2014 from PLN 99,155 for the three-month period ended March 31, 2013. This increase is the net effect of a series of factors, the most significant being exchange rate fluctuations which led to a decrease in costs and lower fees paid to collective copyright management organizations in the corresponding period as a result of agreements concluded in that period.

Cost of internal and external TV production and amortization of sport rights

The cost of internal and external TV production and amortization of sport rights increased by PLN 3,147, or 4.2%, to PLN 78,751 in the first quarter of 2014 from PLN 75,604 in the first quarter of 2013. This increase is primarily due to higher internal production costs of our main channel POLSAT, related to the new positions in the programming schedule and accounting for internal production costs of TV4 and TV6 channels.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs decreased by PLN 3,658, or 4.6%, to PLN 75,332 for the three-month period ended March 31, 2014 from PLN 78,990 for the three-month period ended March 31, 2013. The decrease was primarily due to lower distribution costs.

Depreciation, amortization, impairment and disposal

Depreciation, amortization, impairment and disposal costs increased by PLN 1,736, or 2.9%, to PLN 62,434 for the three-month period ended March 31, 2014 from PLN 60,698 for the three-month period ended March 31, 2013. The increase in depreciation, amortization, impairment and disposal resulted primarily from an increase in the number of set-top-boxes, modems, STB hard disks and routers leased to our subscribers (accounted for as fixed assets).

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 1,548, or 3.6%, to PLN 44,638 for the three-month period ended March 31, 2014 from PLN 43,090 for the three-month period ended March 31, 2013. Ex as a result of higher average employment at Cyfrowy Polsat, which was due to the organic growth of business.

Broadcasting and signal transmission costs

Broadcasting and signal transmission costs increased by PLN 2,609, or 6.9%, to PLN 40,613 for the three-month period ended March 31, 2014 from PLN 38,004 for the three-month period ended March 31, 2013, mainly due to lease of additional satellite transponder capacity and higher costs of digital broadcasting of TV4 and TV6 channels.

Amortization of purchased film licenses

The cost of amortization of purchased film licenses decreased by PLN 5,142, or 15.7%, to PLN 27,519 in the first quarter of 2014 from PLN 32,661 in the first quarter of 2013 The decrease is primarily the effect of lower average costs of film broadcasting on Polsat main channel.

Cost of settlements with mobile network operators and interconnection charges

Cost of settlements with mobile network operators and interconnection charges increased by PLN 7,392, or 46.9%, to PLN 23,151 for the first quarter of 2014 from PLN 15,759 for the first quarter of 2013. The increase resulted primarily from the dynamic growth of the base of Internet access subscribers and higher average use of data packages.

Cost of equipment sold

Cost of equipment sold decreased by PLN 15,647, or 60.4%, to PLN 10,276 for the three-month period ended March 31, 2014 from PLN 25,923 for the three-month period ended March 31, 2013. This decrease was mainly the effect of significantly lower costs of sold equipment for reception of Mobile TV in DVB-T standard. In the corresponding period, the large volume of sales of these devices was the result of the gradual process of switching off of the analogue TV signal and replacing it with the digital signal in DVB-T technology.

Cost of debt collection services and bad debt allowance and receivables written off

Cost of debt collection services and bad debt allowance and receivables written off increased by PLN 291, or 4.5%, to PLN 6,721 in the first quarter of 2014 from PLN 6,430 in the first quarter of 2013.

Other costs

Other costs decreased by PLN 3,005, or 8.2%, to PLN 33,647 for the three-month period ended March 31, 2014 from PLN 36,652 for the three-month period ended March 31, 2013, mainly as a result of a decrease in the value of licenses sold, which included the sale of licenses to Polskie Media in the corresponding period of 2013, as well as the lack of costs of RS TV sold on August 31, 2013.

Other operating income, net

Net other operating income and costs increased by PLN 3,109, or 616.9%, to PLN 1,761 for the three-month period ended March 31, 2014 compared to PLN 504 for the three-month period ended March 31, 2013, primarily due to a decrease in net costs related to compensatory claims and disposal of inventory.

Gains and losses on investment activities

Gains on investment activities decreased by PLN 2,074, or 54.1%, to PLN 1,761 for the three-month period ended March 31, 2014 from PLN 3,835 for the three-month period ended March 31, 2013. The decrease was primarily the effect of recognition of other foreign exchange costs in the first quarter of 2014, as opposed to other foreign exchange gains recognized in the first quarter of 2013.

Finance costs

Finance costs amounted to PLN 108,758 for the three-month period ended March 31, 2014 and increased by PLN 28,683, or 35.9%, compared to PLN 80,075 for the three-month period ended March 31, 2013. The increase was primarily due to higher interest costs on our loan, higher costs related to the Senior Notes and foreign exchange losses. In connection with the earlier repayment of the SFA and redemption of the Senior Notes the Group recognized a one-off cost of PLN 50m (not in thousands) related to the settlement of the cost related to the debt used for the acquisition of Telewizja Polsat in 2011.

Net profit

Net profit for the first quarter of 2014 increased by PLN 3,067, or 3.2%, to PLN 98,172 from PLN 95,105 in the first quarter of 2013.

Other information

EBITDA & EBITDA margin

EBITDA increased by PLN 36,042, or 14.7%, to PLN 281,354 in the first quarter of 2014 from PLN 245,312 in the first quarter of 2013. EBITDA margin increased to 38.9% for the first quarter of 2014 from 35.2% in the first quarter of 2013.

Employment

Average number of employees in Cyfrowy Polsat Group (excluding employees engaged in the production of reception equipment and television production) was 1,547 in the three-month period ended March 31, 2014, as compared to 1,466 in the corresponding period of 2013.

Results by business segments

The Group operates in the following two segments:

1. retail business segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services, the online TV services and production of set-top boxes,
2. broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segment with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments.

Retail business segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication postpaid services which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet

- production of set-top boxes.

Broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland. The revenues generated by the broadcasting and television production segment relate mainly to advertising and sponsorship revenues as well as revenues from cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization, impairment and disposal. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2014:

The 3 months ended 31 March 2014	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	484,009	238,761	-	722,770
Inter-segment revenues	6,528	26,906	(33,434)	-
Revenues	**490,537**	**265,667**	**(33,434)**	**722,770**
EBITDA (unaudited)	**180,645**	**100,709**	**-**	**281,354**
Depreciation, amortization, impairment and disposal	53,392	8,371	671	62,434
Profit/(loss) from operating activities	**127,253**	**92,338**	**(671)**	**218,920**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	61,650*	8,770	-	70,420
Balance as at 31 March 2014				
Assets, including:	1,712,458	4,183,049**	(44,313)	5,851,194
Investments in jointly controlled entity	-	1,235	-	1,235

*This item also includes the acquisition of reception equipment for operating lease purposes.
** includes non-current assets located outside of Poland in the amount of PLN 69.6 million (not in thousands)

All material revenues are generated in Poland.

It should be noted that the 3 months ended 31 March 2014 is not comparable to the 3 months ended 31 March 2013 as Polskie Media was acquired and RS TV was disposed on 30 August 2013 (both allocated to the Broadcasting and television production segment).

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2013:

The 3 months ended 31 March 2013	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	476,659	220,417	-	697,076
Inter-segment revenues	5,372	24,827	(30,199)	-
Revenues	**482,031**	**245,244**	**(30,199)**	**697,076**
EBITDA (unaudited)	**164,678**	**80,634**	**-**	**245,312**
Depreciation, amortization, impairment and disposal	52,150	7,949	599	60,698
Profit/(loss) from operating activities	**112,528**	**72,685**	**(599)**	**184,614**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	72,536*	4,130	-	76,666
Balance as at 31 March 2013				
Assets, including:	1,593,733	4,109,258**	(73,517)	5,629,474
Investments in jointly controlled entity	-	3,484	-	3,484

*This item also includes the acquisition of reception equipment for operating lease purposes.

** includes non-current assets located outside of Poland in the amount of PLN 54.5 million (not in thousands)

Reconciliation of EBITDA and Net profit for the period:

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
EBITDA (unaudited)	**281,354**	**245,312**
Depreciation, amortization, impairment and disposal	(62,434)	(60,698)
Profit from operating activities	**218,920**	**184,614**
Other foreign exchange rate differences, net	(564)	1,713
Interest income	2,663	3,573
Share of the profit of jointly controlled entity accounted for using the equity method	633	762
Interest costs	(94,075)	(50,095)
Foreign exchange differences on *Senior Notes*	(10,320)	(30,442)
Other	(4,701)	(989)
Gross profit for the period	**112,556**	**109,136**
Income tax	(14,384)	(14,031)
Net profit for the period	**98,172**	**95,105**

Comparison of financial position as at March 31, 2014 and December 31, 2013

As at March 31, 2014 and December 31, 2013, our balance sheet amount was PLN 5,851,194 and PLN 5,676,230 respectively.

As at March 31, 2014 and December 31, 2013, our non-current assets were PLN 4,454,352 and PLN 4,455,845, respectively, and accounted for 76.2% and 78.5% of the total assets respectively.

The value of reception equipment amounted to PLN 395,393 as at March 31, 2014 and remained at almost unchanged level compared to PLN 407,579 as at December 31, 2013.

The value of other property, plant and equipment decreased by PLN 2,974 or 1.2% to PLN 248,178 as at March 31, 2014 from PLN 251,152 as at December 31, 2013. The decrease was primarily due to the decrease in the value of technical equipment.

The value of goodwill amounted to PLN 2,602,804 as at March 31, 2014 and remained unchanged compared to the balance as at December 31, 2013.

As at March 31, 2014, the value of brands was PLN 890,800 and remained unchanged compared to the balance as at December 31, 2013.

The value of other intangible assets amounted to PLN 136,697 as at March 31, 2014 an remained practically unchanged compared to PLN 137,401 as at December 31, 2013.

The value of non-current and current programming assets increased by PLN 83,572, or 33.0%, to 336.484 as at March 31, 2014 from PLN 252,912 as at December 31, 2013. The increase was mainly due to the purchase of sports rights.

Investment property amounted to PLN 5,315 as at March 31, 2014 and remained almost unchanged (decrease by 0.3%) compared to the balance as at December 31, 2013.

Non-current and current deferred distribution fees decreased by PLN 2,146, or by 2.2%, to PLN 97,460 as at March 31, 2014 from PLN 99,606 as at December 31, 2013.

The value of other non-current assets amounted to PLN 6,430 as at March 31, 2014 and decreased by PLN 14,373,or 69.1%, compared to PLN 20,803 as at December 31, 2013. This decrease resulted primarily from the decrease of long-term receivables.

As at March 31, 2014 and December 31, 2013, our current assets amounted to PLN 1,396,842 and PLN 1,220,385, respectively, and accounted for 23.9% and 21.5% of the total assets respectively.

The value of inventories was PLN 163,072 as at March 31, 2014 and increased by 16,301, or 11.1%, from PLN 146,771as at December 31, 2013. The increase was the net effect of several factors including primarily: (i) higher stock of antennae and converters, (ii) increase in the stock of reception equipment for digital terrestrial television, (iii) increase in the stock of modems, (iv) decrease in the stock of DTH reception cards, and (v) decrease in the stock of set-top box discs.

The value of trade and other receivables increased by PLN 24,165, or 6.5%, to PLN 398,589 as at March 31, 2014 from PLN 374,424 as at December 31, 2013. The increase resulted mainly from higher trade receivables from third parties set off by a decrease in tax and social security receivables.

The value of cash and cash equivalents increased by PLN 85,939, or 25.1%, to PLN 428,190 as at March 31, 2014 and remained at a relatively unchanged level compared to PLN 342,251 as at December 31, 2013.

The value of other current assets amounted to PLN 106,732 as at March 31, 2014 and remained at a relatively unchanged level compared to PLN 105,360 as at December 31, 2013.

Equity increased by PLN 107,136, or by 3.6%, to PLN 3,108,349 as at March 31, 2014 from PLN 3,001,213 as at December 31, 2013, primarily as a result of profit generated in the first quarter of 2014 in the amount of PLN 98,172.

Loans and borrowings (long and short term) decreased by PLN 8,685, or 1.8%, to PLN 477,198 as at March 31, 2014, from PLN 485,883 as at December 31, 2013. The change was due primarily to the scheduled repayments of the Term Loan set off by the change in amortized cost valuation of the Term Facility.

The Senior Notes liabilities (long and short-term) increased by PLN 58,473, or by 4.1%, to PLN 1,497,142 as at March 31, 2014 from PLN 1,438,669 as at December 31, 2013, primarily due to the interests accrued for the period and the change in amortized cost valuation of Senior Notes liabilities.

Non-current and current deferred income increased by PLN 17,614, or by 8.2%, to PLN 231,178 as at March 31, 2014 from PLN 213,564 as at December 31, 2013, primarily due to the recognition of deferred revenue from the sale of licenses.

The value of other non-current liabilities and provisions amounted to PLN 7,828 as at March 31, 2014 and remained at almost unchanged level compared to PLN 7,915 as at December 31, 2013.

The value of trade and other payables amounted to PLN 418,100 as at March 31, 2014 and remained at a relatively unchanged level compared to the balance as at December 31, 2013 (PLN 413,210).

The value of short-term deposits for equipment amounted to PLN 2,843 as at March 31, 2014 and it increased by PLN 116, or 4.3%, from PLN 2,727 as at December 31, 2013.

Liquidity and Capital Resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in Polish zloty. Until 2011, we relied primarily upon cash flows from operations and bank borrowings to provide the funds required for acquisitions and operations. In 2011, we used additional source of financing - issue of bonds. Our objective is to ensure cost-efficient access to various financing sources, including bank loans and other borrowings.

While we hold cash primarily in Polish zloty, we maintain also other currencies, the value of which depends on the amount of payments to be made for license fees to broadcasters, signal transmission costs, the costs of using the conditional access system, the purchase of set-top-boxes and the purchase of components for in-house manufactured set-top boxes, payments to be made pursuant to agreements with international movie studios and sports federations for programming rights and licenses.

We believe that our cash balances and cash generated from our current operations as well as means available within our revolving facility (described below) should be sufficient to fund the future cash needs for our operational activity, development of our services, service of our debt as well as for realization of a majority of investment plans in the field of the Group's activity.

External sources of funding, financing and indebtedness

Bank Loans

In connection with the acquisition of TV Polsat, on March 31, 2011 the Group, concluded a Senior Facilities Agreement with a syndicate of Polish and international banks led by: Citibank, N.A., London Branch, Bank Handlowy w Warszawie S.A., Crédit Agricole CIB, The Royal Bank of Scotland plc. ("the Bookrunners").

The Senior Facilities Agreement provided for a term facility loan of up to PLN 1,400 m (not in thousands) and a revolving facility loan of up to PLN 200 m (not in thousands). The interest rate applicable for both, the term facility and revolving facility loan, was agreed as variable rates comprising WIBOR, for the relevant interest periods, and the applicable margin. The term facility loan was to be repaid in quarterly installments in varying amounts commencing June 30, 2011. The maturity date of both facilities was December 31, 2015. As at March 31, 2014 the revolving facility was not used.

We used interest rate swaps to hedge our exposure to volatility in the Term Loan interest payments. The IRS transactions concluded in 2011 were described in the Note no. 32 of the consolidated financial statements for the year ended December 31, 2011, the transactions concluded in 2012 are described in the consolidated financial statements for the year ended December 31, 2012 (in the Note no. 30), and the transactions concluded in 2013 are described in the consolidated financial statements for the year ended December 31, 2013 (in the Note no. 29).

On May 7, 2014 we have entirely repaid the term facility loan. The repayment was executed using the funds obtained under the New Facilities Agreement and New Revolving Facility Loan, described in detail below.

New Senior Facilities Agreement of April 11, 2014

On April 11, 2014 the Company as the borrower, together with Telewizja Polsat Sp. z o.o., Cyfrowy Polsat Trade Marks Sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. entered into a facilities agreement ("New Senior Facilities Agreement") with a syndicate of Polish and foreign banks.

The New Senior Facilities Agreement envisages the granting of a term facility loan up to the maximum amount of PLN 2.5 billion (not in thousands) ("New Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500 million (not in thousands) ("New Revolving Facility Loan").

The New Term Facility bears interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin, whereas the New Revolving Facility Loan bears interest at a variable rate being the sum of, depending on currency, the WIBOR, EURIBOR or LIBOR rate for the appropriate interest period and the applicable margin. The margin on the New Term Facility and the New Revolving Facility Loan will depend on the level of the „total leverage" ratio in such way that the lower it is, the lower the margin. The New Term Facility will be repaid in quarterly installments of variable value, starting on June 30, 2014, with the final debt repayment date being April 11, 2019. The final date for the repayment of the full amount of the New Revolving Facility Loan will also be April 11, 2019.

The receivables of the Company and the remaining debtors under the aforementioned facilities are secured by security interests established by the Company and other entities. In particular, such security interests include registered pledges over a collection of movables and property rights of a variable composition, constituting elements of the business enterprise of the Company and other appropriate entities, registered and financial pledges over shares in the Company's subsidiaries, the assignment of rights as security, mortgages, notarial representations on submission to enforcement and similar securities established upon shares in or assets of the Company's subsidiaries which are governed by foreign law.

The New Term Facility and the New Revolving Facility Loan were or will be used by the Company in particular:

(i) for repaying the whole indebtedness arising from or referred to in the following documents: (i) the Senior Facilities Agreement of March 31, 2011, as amended, entered into between the Company (as the borrower) and certain finance parties; and (ii) the Indenture of May 20, 2011 concerning the issuance of debt securities and relating to Senior Secured Notes; and

(ii) towards the general corporate and working capital purposes of the Group.

The New Senior Facilities Agreement provides, inter alia, for a possibility of: (i) the utilization of the aforementioned Facilities for the repayment of indebtedness under an Indenture of February 17, 2012 relating to pay-in-kind notes („PIK Notes") issued by Eileme 1 AB (publ), a company incorporated under the laws of Sweden and a subsidiary of Metelem, which in turn is the parent company of Polkomtel Sp. z o.o.; and (ii) the financing of acquisitions and other distributions permitted by the New Senior Facilities Agreement.

In accordance with the provisions of the New Senior Facilities Agreement, if the total leverage ratio is maintained below a level designated in that Agreement, the Company may incur additional facilities. The terms of such additional facilities will on each occasion be set out in an additional facility accession deed, executed in connection with the incurring of such additional facility, provided that the termination date of such additional facility shall be no earlier than 6 months after the last termination date of the New Term Facility Loan and the New Revolving Facility Loan.

Senior Notes

On May 20, 2011, our solely owned subsidiary Cyfrowy Polsat Finance AB (publ) (the "Issuer"), the Bank of New York Mellon, London Branch (the "Trustee"), the Bank of New York Mellon Luxembourg S.A., and the Initial Guarantors, as defined below, entered into an indenture (the "Indenture") for the issuance by the Issuer of Senior Notes due 2018 (the "Notes") with aggregate principal amount of EUR 350 million (not in thousands). The closing of the sale of the Notes and the issue of the Notes occurred on May 20, 2011 (the "Issue Date"). The Notes were rated Ba2/BB by Moody's Investor Service Inc. and Standard & Poor's Rating Services, respectively.

Pursuant to the Indenture, interest on the Notes accrued from (and including) May 20, 2011 and was computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on the Notes accrued at the rate of 7.125% per annum and was payable semiannually in arrears on May 20 and November 20, commencing on November 20, 2011. The Notes were issued in minimum denominations of EUR 100,000 (not in thousands) and integral multiples of EUR 1,000 (not in thousands) in excess thereof.

For the purpose of hedging future cash flows regarding Senior Notes interest payments, denominated in euro, the Group concluded CIRS (cross-currency interest rate swap) transaction. The CIRS transactions concluded in 2011 were described in Note no. 32 of the consolidated financial statements for the year ended December 31, 2011, the transactions concluded in 2012 were described in the consolidated financial statements for the year ended December 31, 2012 (in Note no. 30), and the transactions concluded in 2013 were described in the consolidated financial statements for the year ended December 31, 2013 (in Note no. 29).

The Notes were senior obligations of the Issuer, ranking pari passu in right of payment to all existing and future senior indebtedness of the Issuer and were senior in right of payment to all existing and future indebtedness of the Issuer that is expressly subordinated to the Notes.

On April 8, 2014 Cyfrowy Polsat Finance AB (publ) filed a notice of redemption of all the Secured Notes issued by Cyfrowy Polsat Finance issued under the Indenture of May 20, 2011.

In connection with the refinancing of debt under the Senior Notes, the Company executed currency forward transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna Oddział w Polsce; following execution of the last transaction on April 17, 2014, the total amount of the transactions was EUR 383m (PLN 1,607.8m, not in thousands). The transactions were settled on May 6, 2014 at the average PLN/EUR exchange rate of 4.1979.

On May 7, 2014, the Company's entire indebtedness under the senior secured notes issued by Cyfrowy Polsat Finance AB (publ) pursuant to the Indenture of 20 May 2011 was repaid. The repayment of the notes led to the Company's repayment of Series A unsecured registered notes acquired fully by Cyfrowy Polsat Finance AB (publ), issued in 2011. The funds for repayment of the notes referred to above have been derived from a term facility issued to the Company pursuant to the New Facilities Agreement.

For the purposes of changing the structure of indebtedness of Metelem Group after a takeover of Metelem by the Company, by way of increasing the capital of Metelem so as to facilitate partial repayment of indebtedness within the Metelem group through the repayment by Eileme 1 AB (publ), a subsidiary of Metelem, of its indebtedness under 14.25% PIK Notes due in 2020, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce (the "Transactions"), the last of which was effected on 7 May 2014, as a result of which the aggregate value of these Transactions reached USD 290 million (PLN 877.2m not in thousands). The date of settlement of these transactions was defined as 23 May 2014, with the average exchange rate at the level of 3.0247 PLN/USD.

The following table presents the summary of financial indebtedness of the Group as of March 31, 2014:

	March 31, 2014 in million PLN	**Maturity**
Senior facility[1]	477	2015
Revolving Facility[1]	0	2015
Eurobonds	1,497	2018
Leasing	0	2015
Cash and Cash equivalents	428	-
Net Debt	**1,546**	
12M EBITDA	1,082	
Net Debt / 12M EBITDA	**1.43**	

[1] Balance sheet value of debt

(all financial data presented in PLN thousand, unless otherwise stated)

Cash flows

The following table presents selected consolidated cash flow data for three-month periods ended March 31, 2014 and March 31, 2013:

	For the three months ended March 31,	
	2014	**2013**
Net cash from operating activities	169,060	155,443
Net cash used in investing activities	(36553,0)	(34883,0)
Net cash used in financing activities	(46551,0)	(66737,0)
Net increase in cash and cash equivalents	85,956	53,823

Net cash from operating activities

Net cash from operating activities amounted PLN 169,060 in the three-month period ended March 31, 2014 resulting mainly from the generated net profit of PLN 98,172 adjusted by various elements including primarily: (i) an increase in liabilities, provisions and deferred income, (ii) depreciation, amortization, impairment and disposal, interest expense and income tax, (iii) an increase in receivables and other assets, (iv) payments for film licenses and sport broadcasting rights, (v) amortization of film licenses and sport rights, (vi) a increase in inventory, (vii) lower costs related to foreign exchange differences compared to the first quarter of 2013, and (viii) a net increase in set-top boxes provided under operating lease.

Net cash from operating activities amounted PLN 155,443 in the three-month period ended March 31, 2013 resulting mainly from the generated net profit of PLN 95,105 adjusted by various elements including primarily: (i) depreciation, amortization, impairment and disposal, interest expense and income tax, (ii) amortization of film licenses and sport rights, (iii) payments for film licenses and sport broadcasting rights, (iv) a net increase in set-top boxes provided under operating lease, (v) a decrease in liabilities, provisions and deferred income, (vi) net loss on foreign exchange, (vii) an increase in receivables and other assets.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 36,553 in the three-month period ended March 31, 2014, as compared to PLN 34,883 in the three-month period ended March 31, 2013 and consisted primarily of the purchase of property, plant and equipment and acquisition of intangible assets.

Net cash used in financing activities

Net cash used in financing activities amounted to PLN 46,551 in the three-month period ended March 31, 2014 and consisted primarily of scheduled repayments of principal and interests on bank loan.

Net cash used in financing activities amounted to PLN 66,737 in the three-month period ended March 31, 2013. The lower value of interest paid was mainly the result of a decreasing balance of our loan, due largely to voluntary prepayments made in 2013.

Capital expenditures

We incurred capital expenditures of 39,420 PLN and PLN 35,080 in the three-month periods ended March 31, 2014 and 2013, respectively. Capital expenditures to revenue ratio amounted to 5.5% and 5.0% in the three-month periods ended March 31, 2014 and 2013, respectively. Capital expenditures in the three-month period ended March 31, 2014 included primarily the purchase of IT equipment, technical equipment and licenses, as well as improvements of our systems and development of infrastructure in our headquarters at Lubinowa Street.

(all financial data presented in PLN thousand, unless otherwise stated)

Contractual Obligations

Our most significant contractual obligations (future cash flows) as of March 31, 2014 were as follows:

	Total	Less than 1 year	1 to 5 years	Over 5 years
Contractual liabilities				
Loans and borrowings	481,860	481,860	-	-
Senior Notes liabilities	1,589,924	1,589,924 *	-	-
Commitments to purchase programming asstes	239,030	158,294	80,736	-
Total contractual liabilities	**2,310,814**	**2,230,078**	**80 736**	-

*Includes payment of premium related to premature redemption

Off-Balance Sheet Arrangements

Contractual liabilities to purchase programming assets

As at 31 March 2014 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 March 2014 unaudited	31 December 2013
within one year	158,294	190,320
between 1 to 5 years	80,736	80,520
Total	**239,030**	**270,840**

The table below presents commitments to purchase programming assets from related parties not included in the consolidated financial statements:

	March 31, 2014 unaudited	December 31, 2013
within one year	18,258	18,191
Total	**18,258**	**18,191**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of technical equipment was PLN 3,898 as at 31 March 2014 (PLN 4,864 as at 31 December 2013). Total amount of capital commitments resulting from agreements on property improvements was PLN 1,022 as at 31 March 2014 (PLN 509 as at 31 December 2013). Additionally the amount of deliveries and services committed to under agreements for the purchases of licenses and software as at 31 March 2014 was PLN 24,771 (PLN 26,809 as at 31 December 2013).

Information on market risks

Currency risk

One of the main risks that the Group is exposed to is currency risk resulting from fluctuations in exchange rate of the Polish zloty against other currencies. Revenues generated by the Group are denominated primarily in the Polish zloty, while a portion of operating costs and capital expenditures are incurred in foreign currencies. The Group's currency risk is associated mainly to royalties to TV and radio broadcasters (USD and EUR), transponder capacity leases (EUR), fees for conditional access system (EUR) and purchases of reception equipment and accessories for reception equipment (USD and EUR). Since 2011 the level of currency risk exposure has increased because of new financing denominated in EUR obtained to purchase Telewizja Polsat Sp. z o.o. After this purchase currency risk exposure is also associated to purchases of foreign programming licenses (USD).

In respect of license fees and transponder capacity leases, the Group partly reduces its currency risk exposure by means of an economic hedge as it denominates receivables from signal broadcast and marketing services in foreign currencies.

Interest rate risk

Changes in market interest rates have no direct effect on the Group's revenues, however, they do have an effect on net cash from operating activities due to interest earned on overnight bank deposits and current accounts, and on net cash from financing activities due to interest charged on bank loans.

The Group regularly analyses its level of interest rate risk exposure, including refinancing and risk minimizing scenarios. Based on these analyses, the Group estimates the effects of changes in interest rates on its profit and loss.

In order to reduce interest rate risk exposure resulting from interest payments on floating interest rate senior facility, the Company stipulated interest rate swaps.

13. Factors that may impact the results of the Company and the Cyfrowy Polsat S.A. Capital Group in at least the following quarter

The Polish economy

Growth in our revenue is correlated to a certain extent with the state of the Polish economy.

Macroeconomic trends in the Polish economy and the economic situation on global markets have thus far affected the operations and operating results of Polsat Group, and are expected to continue affecting them in the future. The key factors affecting our operations, in particular the demand for advertising and the spending on our services by residential customers, include GDP growth, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure by enterprises.

In the sluggish world economy of 2011-2013, Poland continued to record one of the highest real GDP growth rates in the EU. According to Eurostat, Poland's real GDP growth in 2011, 2012 and 2013 was 4.5%, 1.9% and 1.3%, respectively, with the corresponding figures for the EU 28 at 1.6%, -0.4% and 0.0%, respectively. Despite the Polish economy's relatively good condition, the downturn on the global markets in 2011-2013 adversely impacted the volume of advertising spending in Poland, including on TV advertising.

Recovery of economies both of Poland and other EU countries is expected in 2014 (forecasted GDP growth for Poland at 2.9% and for EU countries at 1.5%)

We believe that average consumer spending, including spending on pay TV, Internet access and bundle services generally will grow in line with the overall GDP growth in Poland, and will support our future revenue growth. We expect, that the economic recovery, anticipated in 2014, will also have a positive impact on the advertising expenditures in Poland.

Exchange rates fluctuations

Zloty (PLN) is our functional and reporting currency. Our revenue is primarily denominated in PLN, whereas a portion of our expenses and capital expenditures is denominated in foreign currencies, in particular USD and EUR (in 2011-2013 about one-third of our operating costs were incurred in foreign currencies).

Foreign exchange rate fluctuations have historically affected the level of our operating costs, finance costs, as well as the profit or loss on investing activities, and are expected to do so in the future. In particular, our exposure to foreign exchange rate fluctuations stems from our foreign currency payments for (i) licensing fees paid to TV broadcasters, (ii) signal transmission-related charges, (iii) access to the offering of leading film and TV studios, and of other programming suppliers and producers, including sports federations; (iv) set-top box parts, and other hardware and software; (v) transponder capacity lease and (vi) other trade obligations.

In addition, we may be exposed to currency risk in relation to the multi-currency New Revolving Facility Loan since movements in the exchange rate of the euro, dollar or any other currency provided for in the New Senior Facilities Agreement against the zloty may increase the zloty-denominated amounts required to service principal and interest payments under the New Revolving Facility Loan. Moreover, Polkomtel offered notes denominated in euro and US dollars, which significantly increases our exposure to foreign currency fluctuations as movements in the exchange rates of the euro and USD to Polish zloty could increase the amount of cash, in Polish zloty, that must be generated in order to pay principal and interest on the notes. We have no control over how exchange rates will change in the future, and consequently foreign exchange rate fluctuations will continue to affect (positively or negatively) our operations and financial results. Considering our open exposure to the currency exchange risk, the Group has in place a market risk management policy and uses, inter alia, natural hedging and hedging transactions.

Situation on the pay TV market in Poland

Our revenue from subscription fees is dependent upon the number of our subscribers, pricing of our services, subscriber loyalty and the penetration rate of pay TV in Poland, that we consider almost saturated.

The market on which we operate is very dynamic and competitive. Currently our main competitor is nc+ platform established following the merger of Cyfra+ and "n" satellite platforms at the end of 2012. Strong competition and the evolving market environment (including consolidation processes on the satellite and cable TV market) impact promotional offerings to our new subscribers. In addition, due to the heavy competition, we continuously invest in subscriber retention programs and loyalty building.

Currently, we consider our programming packages to offer the best value-for-money on the Polish DTH market. We believe, that it gives us a chance to attract a significant portion of migrating clients to our platform. Moreover, our proactive approach to subscriber retention contributes to maintaining a relatively low churn rate.

The growing importance of additional services

The growing interest in additional services, observed among our subscribers base, provides us with a possibility to generate an increase in the average revenue per user of our television services. We carefully follow the evolution of the expectations of our customers and strive to meet their growing needs by combining our traditional pay-TV packages services with VOD, PPV, Multiroom, online video services and mobile television. These efforts have a positive impact on our revenue.

The acquisition of Polkomtel, one of the largest mobile operators on the Polish market, is significant. The possibility to sell additional products and services to current customers of Cyfrowy Polsat and Plus network will have a positive impact on our revenue. Together with Polkomtel we will create a unique portfolio of services, which will be simultaneously targeted to clients of both operators. That is, according to our assumptions, nearly 17 million individuals. When properly addressed, both through sale of additional individual products or a multi-play offer, this potential may significantly increase the number of services per individual user, thus increasing the average revenue per subscriber (ARPU).

Moreover, caring for the satisfaction of our subscribers, we continue the process of replacing SD set-top-boxes used by our subscribers with HD set-top-boxes. Currently, already 85% of the subscriber base uses HD set-top-boxes. In addition to higher satisfaction of our subscribers, thanks to the increasing penetration by HD set-top-boxes we gain the ability to achieve savings resulting from more efficient use of transponder capacity (due to the transition from MPEG2 to MPEG4).

Providing Internet access services in LTE technology

We provide mobile Internet access services in two technologies: HSPA/HSPA+ and the latest LTE technology. LTE technology is considered to be the future of mobile broadband Internet and successor of commonly used UMTS standard. Due to its technical characteristics and quality parameters, mobile LTE Internet can eventually replace fixed-line connections and satisfy increasingly demanding customers while enabling them to profit from growing capabilities of the Internet. In addition it has the advantage of mobility, which is increasingly more desired by consumers. We strongly believe that over the long term, as the necessary radio infrastructure and LTE-enabled devices develop, the technology will revolutionize not only the broadband Internet market but also content distribution. We believe, our LTE Internet service constitute a significant competitive advantage and it will help us to further increase our subscribers base both of stand-alone and integrated services.

Technical reach of LTE network is growing systematically and with its expansion we can expect the growth in the number of subscribers to our service, that translates to growth in revenue from telecommunication services.

According to data presented by our supplier, in February 2014 LTE and HSPA/HSPA+ networks covered approximately almost 67% and almost 100% of the population of Poland, respectively.

Offering services in DVB-T technology

The replacement of analogue terrestrial broadcasting with digital broadcasting in Poland (first switch-off of the analogue signal took place in November 2012, and the process was completed in July 2013) forced terrestrial TV viewers owning obsolete TV sets to adapt to the new technology requirements. Perceiving it as an opportunity to develop our business, we decided to encourage those individuals to use our offering. We launched production and sale of digital terrestrial TV set-top boxes in 2012. Our incentives included not only high quality equipment, but also a package of extra pay TV channels at a very attractive price under our new Mobile TV service, based on DVB-T technology, providing subscribers with access to digital terrestrial TV channels on mobile devices. Mobile TV is delivered based on DVB-T technology within the multiplex dedicated to mobile terrestrial digital television. The advantage of this technology is its low cost for the user as the only requirement is to have a DVB-T tuner which does not generate data transfer.

Mobile TV provides paid access to Extra Package (8 television and 12 radio channels) in a subscription model, which includes equipment subsidies and a free access to all DTT channels. The access to Extra Package is also available in prepaid model (without written agreement) on purchase of one of our DVB-T set-top-boxes. The service is accessible through a range of devices, including smartphones, tablets, laptops and set-top boxes.

Development of IPLA

The acquisition of companies running IPLA in 2012 complemented our long-term development strategy, aiming at the widest possible distribution of content using the latest equipment and technologies. Ipla, the leader on online video market, strengthens our position of an aggregator and distributor of content. The product provides us with an important competitive advantage. We continue to develop the service using our experience in sales of pay-TV.

In the first quarter of 2014, the number of users of IPLA application and website, according to our estimates, amounted on monthly average to ca. 4.2 million.

Developing IPLA is a source of synergies in terms of costs and revenues. Costs synergies come from jointly executed content acquisition and investments in technology development, marketing activities, use of the same infrastructure as well as optimized use of back-office resources. Revenues synergies come from cross-selling and from increased attractiveness of current and new products introduced, that positively impact the customers' satisfaction level.

We believe that with the growing importance of the Internet, IPLA internet television will make an increasingly significant element of our business in the future. Already within 6 months after the acquisition, we managed to bring the companies running IPLA to profitability and we are confident that their results will grow gradually. Currently, approximately 75% of the revenues of IPLA service are generated from the sale of advertising in the fastest growing online video segment, and approximately 25% of the revenue comes from content purchase transactions done by users. Financial results of the companies running IPLA are consolidated with the results of the Group since April 2, 2012.

Acquisition of Polkomtel Sp. z o.o.

In May 2014 we closed the transaction of acquisition of shares in Metelem, who indirectly controls Polkomtel. The incorporation of Polkomtel in Cyfrowy Polsat Group provides new opportunities for distribution of TV content, as well as for further development of telecommunications services, launched in 2008. Thanks to this combination, the attractive content and the wide range of Cyfrowy Polsat's services will be delivered through a variety of reliable distribution channels – via satellite (DTH), within digital terrestrial television (DVB-T), through mobile technologies: 3G, 4G and LTE – to all consumer devices, from TV sets and PCs to tablets and smartphones.

The unique portfolio of services will be simultaneously targeted to clients of both operators. That is, according to conservative assumptions of Cyfrowy Polsat, about 16 – 17 million individuals, who live in 6 million Polish households. According to Cyfrowy Polsat's estimates, in each household to which Cyfrowy Polsat addresses its offer, there are on average 4 devices using video, data or voice transmission – including TV sets, mobile phones, PCs, and tablets. As a result of the above the market for the Cyfrowy Polsat Group and Polkomtel products will be around 25 million devices, and thanks to the dynamically growing sales of smartphones, this growth trend will certainly continue. Consumers increasingly watch video on a range of devices both at home and outside, and regularly use more than one device at the same time. Proper addressing of this potential may significantly boost sales of additional services to an individual user, thus increasing the average revenue per subscriber (ARPU).

Taking into considerations the above assumptions, the transaction of the acquisition of Plus network operator will allow us to achieve significant operational synergies, which, according to our estimations, may reach up to approximately PLN 3.5 billion (not in thousands) through the end of 2019.

Development of advertising market in Poland

The majority of the revenue generated in our television broadcasting and production segment (approximately 80% in the first quarter of 2014) comes from the sale of advertising airtime and sponsoring slots on TV channels.

Demand for advertising air-time is highly correlated with macro-economic situation. ZenithOptimedia Media House forecasts that, following a 4.4% decline of total net TV advertising expenditure in 2013, this segment will increase by 2.1% in 2014. Given that TV is a highly effective advertising medium, and given the relatively low level of advertising expenditures in Poland as a percentage of GDP and per capita in comparison to other European markets, there is still a substantial growth potential for TV advertising in Poland in the long term, and the expected economic recovery in 2014 will positively influence that level of advertising expenditure in Poland. It is worth noticing, that despite the growing importance of new media, it is forecasted that television will remain an attractive and popular pastime, primarily thanks to new technical opportunities, which including an increasing number of HD channels and VoD, as well as thanks to a growing number of smart-TVs.

According to the IAB AdEX report the Internet advertising market shows a dynamic growth, with advertising expenditures of PLN 2.4 billion (not in thousands) in 2013, an increase of 10.2% YoY. The expenditures on video advertising segment, in which we generate our revenue, increased in 2013 by 33% and represented 6.9% of the total expenditures on online advertising. According to PwC forecasts (Global entertainment and media outlook: 2013-2017) the online video advertising in Poland will grow by an average 48% (CAGR) in the years 2013-2017. We believe that thanks to the leading position on the online video market (through IPLA internet television) we may benefit from the growth of this promising advertising market segment.

Seasonality of advertising market

Our advertising revenue tends to be lowest during the third quarter of each calendar year due to the summer holiday period and highest during the fourth quarter of each calendar year due to the increased consumer spending during the Christmas season. In the year ended December 31, 2013, TV Polsat generated approximately 21% of advertising revenue in the first quarter, 26% in the second quarter, 19% in the third quarter and 34% in the fourth quarter.

Growing importance of thematic channels

With the high penetration of the Polish market by pay TV, that provides viewers with increasingly greater selection of thematic channels, and with the process of implementation of digital terrestrial television and switch-off of the analogue signal completed at the end of July 2013, as well as a broader offer of channels available via DTT, main general entertainment channels (FTA) have experienced a decline in audience share. In order to maintain total audience share and advertising market share, we have focused on developing our thematic channels portfolio. Currently, 23 thematic channels are broadcast by Polsat Group, they are available within cable and satellite distribution and three of them also in DTT (MUX-2). They compete in different market segments including sport, channels targeted at male or female audiences, film, information and music. Our thematic channels increased their combined audience share to 9.3% in the first three months of 2014 from 5.64% in the corresponding period of 2013, primarily due to: the increase in audience share of Polsat Film and Polsat News, as well as the acquisition of TV4 and TV6 channels at the end of August 2013.

Switch-off of analogue broadcasting of Polsat channel

Following the completion of the process of switching off the analogue broadcasting of terrestrial television in Poland by the end of July 2013, we have ceased to incur double costs (analogue and digital) of broadcasting of our main channel.

Attractive content of our TV channels

We believe that attractive content of our channels is a significant competitive advantage. We have contracts with major film studios, such as Sony Pictures Entertainment and 20th Century Fox, which provide access to a wide selection of the most attractive films and series. Our direct production covers mainly shows and series based on international formats as well as solely created concepts. We also offer a wide selection of sports transmissions, including volleyball games, boxing and mixed martial arts galas, Formula 1 races and many others.

Acquisition of Polskie Media S.A.

On August 30, 2013, TV Polsat finalized the acquisition of 100% shares in Polskie Media S.A., broadcaster of TV4 and TV6 channels.

We consider the acquisition of Polskie Media a strategic step towards strengthening of Telewizja Polsat's market position. This opens the possibility to increase advertising revenue based on the increasing reach and Group's stronger negotiations standing as well as the synergies in the following areas: access and use of the programming content, technical, advertising, marketing and cross-promotions as well as back-office resources.

The financial results of the company are consolidated from September 1, 2013.

Consolidation of Metelem Group

In consequence of the transaction of acquisition of shares in Metelem, the company and its capital group will be consolidated within the consolidated financial statements of Cyfrowy Polsat Group. The expected cost and revenue synergies should lead to an increase of pro forma EBITDA margin by approximately 2 pp. until the end of 2016 and by a further approximately 1.5 pp. in 2017-2019. Assuming a new structure of the balance sheet and the scale of activity of both entities, there is a real possibility of significant improvement of terms of debt financing, through lower interest rates and better terms of the loan, which could bring an additional approximately PLN 0.5 billion (not in thousands) in savings through the end of 2019.

As at December 31, 2013, the carrying amount of Metelem Group's total financial liabilities was over PLN 11 billion (not in thousands). The obligation to service substantial debt of Metelem Group will increase financial costs incurred by us related to capital and interest payments, and therefore it will have a material effect on the level of net profit generated by the capital group. The Company has already undertaken measures aimed at mitigating the risk related to Metelem Group's significant level of indebtedness, which include the restructuring of the debt of the acquired company and the redemption of PIK Notes (for further details see item 2. *Significant events*).

Costs of debt service

On order to refinance the debt under the Term Loan and Senior Notes, both incurred in 2011, the Company concluded in April 2014 a New Term Loan maturing in 2019. In consequence we will continue to incur interest costs on debt financing. The New Term Loan has a built-in mechanism of bank margin reduction parallel to the decrease in the net debt to EBITDA ratio, which means that making timely payments and voluntarily prepayments, we are able to decrease both interest costs and the remaining principal in the future periods.

Dominik Libicki	Tomasz Szeląg	Dariusz Działkowski	Aneta Jaskólska
President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, May 14, 2014

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 3 months ended 31 March 2014

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

Table of contents

APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 14 May 2014, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of the Cyfrowy Polsat S.A. Group prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as adopted by the European Union, which include:

Interim Consolidated Income Statement for the period from 1 January 2014 to 31 March 2014 showing a net profit for the period of:	PLN 98,172
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2014 to 31 March 2014 showing a total comprehensive income for the period of:	PLN 107,136
Interim Consolidated Balance Sheet as at 31 March 2014 showing total assets and total equity and liabilities of:	PLN 5,851,194
Interim Consolidated Cash Flow Statement for the period from 1 January 2014 to 31 March 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 85,956
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2014 to 31 March 2014 showing an increase in equity of:	PLN 107,136

Notes to the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been prepared in thousands of Polish zloty ('PLN') except where otherwise indicated.

Dominik Libicki	Tomasz Szeląg	Dariusz Działkowski	Aneta Jaskólska
President of the Management Board	Member of the Management Board	Member of the Management Board	Member of the Management Board

Warsaw, 14 May 2014

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Income Statement

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Continuing operations			
Revenue	8	722,770	697,076
Operating costs	9	(507,463)	(512,966)
Other operating income and cost, net		3,613	504
Profit from operating activities		**218,920**	**184,614**
Gain/loss on investment activities, net	10	1,761	3,835
Finance costs	11	(108,758)	(80,075)
Share of the profit of jointly controlled entity accounted for using the equity method		633	762
Gross profit for the period		**112,556**	**109,136**
Income tax		(14,384)	(14,031)
Net profit for the period		**98,172**	**95,105**
Net profit attributable to equity holders of the Parent		98,172	95,105
Basic and diluted earnings per share (in PLN)		**0.28**	**0.27**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Net profit for the period		**98,172**	**95,105**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	11,066	3,660
Income tax relating to hedge valuation	13	(2,102)	(696)
Currency translation adjustment		-	(4,304)
Items that may be reclassified subsequently to profit or loss		**8,964**	**(1,340)**
Other comprehensive income, net of tax		**8,964**	**(1,340)**
Total comprehensive income for the period		**107,136**	**93,765**
Total comprehensive income attributable to equity holders of the Parent		107,136	93,765

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet - Assets

	31 March 2014 unaudited	31 December 2013
Reception equipment	395,393	407,579
Other property, plant and equipment	248,178	251,152
Goodwill	2,602,804	2,602,804
Brands	890,800	890,800
Other intangible assets	136,697	137,401
Non-current programming assets	107,548	71,571
Investment property	5,315	5,330
Non-current deferred distribution fees	26,502	29,551
Other non-current assets	6,430	20,803
Deferred tax assets	34,685	38,854
Total non-current assets	**4,454,352**	**4,455,845**
Current programming assets	228,936	181,341
Inventories	163,072	146,771
Trade and other receivables	398,589	374,424
Income tax receivable	365	183
Current deferred distribution fees	70,958	70,055
Other current assets	106,732	105,360
Cash and cash equivalents	428,190	342,251
Total current assets	**1,396,842**	**1,220,385**
Total assets	**5,851,194**	**5,676,230**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Balance Sheet - Equity and Liabilities

	31 March 2014 unaudited	31 December 2013
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Other reserves	-	(8,964)
Retained earnings	1,799,310	1,701,138
Equity attributable to equity holders of the Parent	**3,108,347**	**3,001,211**
Non-controlling interests	2	2
Total equity	**3,108,349**	**3,001,213**
Loans and borrowings	236,277	239,889
Senior Notes payable	1,396,071	1,340,010
Finance lease liabilities	166	227
Deferred tax liabilities	95,950	108,066
Deferred income	3,008	4,079
Other non-current liabilities and provisions	7,828	7,915
Total non-current liabilities	**1,739,300**	**1,700,186**
Loans and borrowings	240,921	245,994
Senior Notes payable	101,071	98,659
Finance lease liabilities	237	236
Trade and other payables	418,100	413,210
Income tax liability	12,203	4,520
Deposits for equipment	2,843	2,727
Deferred income	228,170	209,485
Total current liabilities	**1,003,545**	**974,831**
Total liabilities	**2,742,845**	**2,675,017**
Total equity and liabilities	**5,851,194**	**5,676,230**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Cash Flow Statement

	Note	for the 3 months ended 31 March 2014 unaudited	31 March 2013 unaudited
Net profit		**98,172**	**95,105**
Adjustments for:		**86,532**	**70,557**
Depreciation, amortization, impairment and disposal	9	62,434	60,698
Payments for film licenses and sports rights		(109,421)	(44,320)
Amortization of film licenses and sports rights		40,084	46,049
(Gain)/loss on sale of property, plant and equipment and intangible assets		(53)	58
Cost of programming rights sold		41	3,504
Interest expense		90,381	46,368
Change in inventories		(16,302)	11,273
Change in receivables and other assets		(5,161)	(18,654)
Change in liabilities, provisions and deferred income		31,469	(36,840)
Change in internal production and advance payments		(13,309)	(1,048)
Valuation of hedging instruments		11,066	3,660
Share of the profit of jointly controlled entity accounted for using the equity method		(633)	(762)
Foreign exchange losses, net		10,337	25,976
Income tax		14,384	14,031
Net additions of reception equipment provided under operating lease		(30,564)	(40,920)
Other adjustments		1,779	1,484
Cash from operating activities		**184,704**	**165,662**
Income tax paid		(17,809)	(13,763)
Interest received from operating activities		2,165	3,544
Net cash from operating activities		**169,060**	**155,443**
Acquisition of property, plant and equipment		(19,433)	(21,703)
Acquisition of intangible assets		(19,987)	(13,377)
Acquisition of subsidiaries, net of cash acquired		-	(153)
Proceeds from sale of property, plant and equipment		337	350
Dividends received		2,530	-
Net cash used in investing activities		**(36,553)**	**(34,883)**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Repayment of loans and borrowings	14	(37,394)	(49,813)
Finance lease – principal repayments		(62)	(78)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*		(9,095)	(16,846)
Net cash used in financing activities		**(46,551)**	**(66,737)**
Net increase in cash and cash equivalents		**85,956**	**53,823**
Cash and cash equivalents at the beginning of the period		**342,251**	**270,354**
Effect of exchange rate fluctuations on cash and cash equivalents		(17)	161
Cash and cash equivalents at the end of the period		**428,190**	**324,338**

* Includes impact of hedging instruments

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Consolidated Statement of Changes in Equity for the 3 months ended 31 March 2014

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 1 January 2014	**13,934**	**1,295,103**	**(8,964)**	**1,701,138**	**3,001,211**	**2**	**3,001,213**
Total comprehensive income	-	-	8,964	98,172	**107,136**	**-**	**107,136**
Hedge valuation reserve	-	-	*8,964*	-	***8,964***	**-**	***8,964***
Net profit for the period	-	-	-	*98,172*	***98,172***	**-**	***98,172***
Balance as at 31 March 2014 niebadany	**13,934**	**1,295,103**	**-**	**1,799,310**	**3,108,347**	**2**	**3,108,349**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Interim Consolidated Statement of Changes in Equity for the 3 months ended 31 March 2013

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(16,327)**	**1,175,693**	**2,468,403**
Total comprehensive income	-	-	(1,340)	95,105	**93,765**
Hedge valuation reserve	-	-	*2,964*	-	***2,964***
Currency translation adjustment	-	-	*(4,304)*	-	***(4,304)***
Net profit for the period	-	-	-	*95,105*	***95,105***
Balance as at 31 March 2013 niebadany	**13,934**	**1,295,103**	**(17,667)**	**1,270,798**	**2,562,168**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat', 'the Parent Company', 'the Parent') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Parent Company's registered office is located at 4a, Łubinowa Street in Warsaw.

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as the Internet access service provider and a Mobile Virtual Network Operator ('MVNO').

The Company was incorporated under the Notary Deed dated 30 October 1996.

The consolidated financial statements comprise the Parent and its subsidiaries (together with the Parent referred to as 'the Group' and individually as 'Group entities'), and the Group's interest in jointly controlled entity. The Group operates in two segments: (1) retail business which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) broadcasting and television production which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Andrzej Papis	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed consolidated financial statements

Statement of compliance

These interim condensed consolidated financial statements for the 3 months ended 31 March 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

The Group applied the same accounting policies in the preparation of the financial data for the 3 months ended 31 March 2014 and the consolidated financial statements for the year 2013, presented in the consolidated annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 and changes to the accounting policies presented in note 5. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 do not have a material impact on these interim condensed consolidated financial statements.

5. Changes of the accounting policies published in the most recent annual financial statements and estimates, which affect applied policies and presented amounts of assets, liabilities, income and expenses

The Group has changed the method of inventory measure. To the end of year 2013 cost of inventories was based on the first-in first-out principle. From 1 January 2014 cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory. The estimation of the amount of the above mentioned change is impracticable.

Moreover, from 1 January 2014 estimates of the economic useful life and the depreciation method of programming assets, in particular purchased film licenses, applied by the Group has changed.

From 1 January 2014 the following depreciation rates, depending on the category of asset and permissible amount of broadcasts, apply:

- Films and series - amortization starts at the moment of first broadcast. The implementation of economic benefits is measured by the declining balance method based on a standard table of rates depending on the number of planned and available broadcast, generally in accordance with the following table:

	Feature films			
Amount of depreciable runs	**Rate per run**			
	I	II	III	IV
1	100%			
2	60%	40%		
3	40%	30%	30%	
4 and more	35%	25%	25%	15%

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

	TV Series			
Amount of depreciable runs	**Rate per run**			
	I	II	III	IV
1	100%			
2	80%	20%		

- Licenses for channels, movies and series are mostly amortized in four or five broadcasts using rates of 25% and 20% respectively.

If the Group has not made changes in estimates affecting the depreciation method of programming assets, film licenses amortization costs for the three months period ended 31 March 2014 would have been about PLN 2,952 higher.

6. Approval of the Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 14 May 2014.

7. Information on Seasonality in the Group's Operations

Advertising and sponsoring revenue tends to be lowest during the third quarter of each calendar year due to the summer holidays period and highest during the second and fourth quarter of each calendar year due to the introduction of a new programming offer. Revenue from subscription fees is not directly subject to any seasonal trend.

8. Revenue

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Retail revenue	468,124	452,009
Advertising and sponsorship revenue	211,554	184,218
Revenue from cable and satellite operator fees	24,970	24,867
Sale of equipment	7,888	13,112
Other revenue	10,234	22,870
Total	**722,770**	**697,076**

Retail revenue consists of pay-TV, Internet access and MVNO subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

9. Operating costs

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Programming costs		104,381	99,155
Distribution, marketing, customer relation management and retention costs		75,332	78,990
Cost of internal and external TV production and amortization of sport rights		78,751	75,604
Depreciation, amortization, impairment and disposal		62,434	60,698
Salaries and employee-related costs	**a**	44,638	43,090
Broadcasting and signal transmission costs		40,613	38,004
Amortization of purchased film licenses		27,519	32,661
Cost of equipment sold		10,276	25,923
Cost of settlements with mobile network operators and interconnection charges		23,151	15,759
Cost of debt collection services and bad debt allowance and receivables written off		6,721	6,430
Other costs		33,647	36,652
Total		**507,463**	**512,966**

a) Salaries and employee-related costs

	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Salaries	37,084	35,910
Social security contributions	6,392	5,971
Other employee-related costs	1,162	1,209
Total	**44,638**	**43,090**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

10. Gain/loss on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Interest income	2,663	3,573
Other interest	(357)	(1,386)
Other foreign exchange gains/(losses)	(564)	1,713
Other investment income	19	1
Other costs	-	(66)
Total	**1,761**	**3,835**

11. Finance costs

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Interest expense on loans and borrowings	34,362	19,387
Impact of hedging instruments valuation on interest expense on loans and borrowings	5,086	27
Realization of hedging instruments (IRS)	3,040	1,379
Interest expense on *Senior Notes*	48,153	27,161
Impact of hedging instruments valuation on interest expense on *Senior Notes*	3,077	755
Foreign exchange differences on *Senior Notes*	10,320	30,442
Guarantee fees, bank and other charges	4,720	924
Total	**108,758**	**80,075**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2014 and as at 31 December 2013:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Series H	80,027,836	3,201	ordinary bearer shares
Total	**348,352,836**	**13,934**	

The shareholders' structure as at 31 March 2014 and as at 31 December 2013 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd.[1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd.[2]	25,341,272	1,014	7.27%	50,382,647	9.55%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

[1] Pola Investments Ltd. is controlled by the TiVi Foundation, the dominant entity of which is Mr. Zygmunt Solorz-Żak

[2] Sensor Overseas Ltd. is controlled by Mr. Heronim Ruta

The shares held by Pola Investments and included in the proxy given to Pola Investments by Sensor Overseas Ltd. seated in Nicosia, Cyprus (the company controlled by Mr. Heronim Ruta), represent jointly more than 50% of votes at the general meeting of the Company. On 24 April 2014 the Company received notification concerning the revocation by Sensor Overseas Ltd. of the above mentioned proxy.

On 16 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning conditional increase in the share capital by the amount not exceeding PLN 11,648. The increase of the Company's share capital shall be effected by way of the issue of up to 291,193,180 series I and J ordinary bearer shares. All series I and J shares will be earmarked for acquisition by shareholders of Metelem Holding Company Limited ("Metelem").

On 24 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning the issuance of 291,193,180 registered subscription warrants. The warrants entitle their holders to acquire ordinary bearer shares and on 7 May 2014 were offered to the vendors of shares in Metelem (for details please refer to note 21). The Extraordinary General Meeting of Cyfrowy Polsat decided that the existing shareholders are deprived of all the preemptive rights *vis-à-vis* all of the new issue ordinary bearer shares which may be issued by the Company under the conditional increase of the Company's share capital adopted on 16 January 2014.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

On 2 April 2014 took place the registration of a conditional increase of the Company's share capital.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued.

(iii) Other reserves

Other reserves include hedge valuation effect.

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2014	2013
Balance as at 1January	**(8,964)**	**(20,631)**
Valuation of cash flow hedges	-	2,878
Amount transferred to income statement	11,066	782
Deferred tax	(2,102)	(696)
Change for the period	**8,964**	**2,964**
Balance as at 31 March unaudited	**-**	**(17,667)**

Due to the repayment of existing on 31 March 2014 debt and its replacement with new credit facility (see note 21) the test for hedge effectiveness proved that hedging instruments are not effective as at 31 March 2013 and therefore the amounts presented in hedge valuation reserve were transferred to profit and loss.

In the 3 months ended 31 March 2013 the hedge was valued at PLN 2,878 (positive), with PLN 782 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 3,660 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 2,964 (positive), including deferred tax.

14. Loans and borrowings

Loans and borrowings	**31 March 2014 unaudited**	**31 December 2013**
Short-term liabilities	240,921	245,994
Long-term liabilities	236,277	239,889
Total	**477,198**	**485,883**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Change in loans and borrowings liabilities

	2014	2013
Loans and borrowings as at 1 January	**485,883**	**867,611**
Repayment of capital	(37,394)	(49,813)
Repayment of interest and commissions	(5,653)	(14,037)
Interest accrued	34,362	19,387
Loans and borrowings as at 31 March unaudited	**477,198**	**823,148**

Valuation of loans and borrowings was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of loans and borrowings divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The above described indebtedness was refinanced on 7 May 2014. For details, please refer to note 21.

15. Senior Notes

	31 March 2014 unaudited	31 December 2013
Short-term liabilities	101,071	98,659
Long-term liabilities	1,396,071	1,340,010
Total	**1,497,142**	**1,438,669**

Change in *Senior Notes* payable

	2014	2013
***Senior Notes* payable as at 1 January**	**1,438,669**	**1,413,735**
Unrealized foreign exchange losses	10,320	30,442
Interest accrued	48,153	27,161
***Senior Notes* payable as at 31 March unaudited**	**1,497,142**	**1,471,338**

Valuation of *Senior Notes* payable was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of *Senior Notes* payable divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The Senior Notes were paid on 7 May 2014. For details, please refer to note 21.

16. Operating segments

The Group operates in the following two segments:

1. retail business segment which relates to the provision of services to the general public, including digital television transmission signal, mobile services, the Internet access services, the mobile TV services, the online TV services and production of set-top boxes,
2. broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

The activities of the Group are grouped into segment with distinguishable scope of operations where services are rendered and merchandise delivered in a specific economic environment. Activities of defined segments are characterized by different risk levels and different investment returns from those of the Group's other segments.

Retail business segment includes:

- digital pay television services which primarily relate to direct distribution of technologically advanced pay-TV services and revenues are generated mainly by pay-TV subscription fees;
- mobile telecommunication postpaid services which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- online TV services (IPLA) available on computers, smartphones, tablets, SmartTV, game consoles and other TV equipment which generate revenues mainly from subscription fees and advertising on the Internet
- production of set-top boxes.

Broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland. The revenues generated by the broadcasting and television production segment relate mainly to advertising and sponsorship revenues as well as revenues from cable and satellite operators.

Management evaluates the operating segments' results based on EBITDA. The EBITDA reflects the Group's ability to generate cash in a stable environment. The Group defines EBITDA as profit from operating activities increased by depreciation, amortization, impairment and disposal. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2014:

The 3 months ended 31 March 2014	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	484,009	238,761	-	722,770
Inter-segment revenues	6,528	26,906	(33,434)	-
Revenues	**490,537**	**265,667**	**(33,434)**	**722,770**
EBITDA (unaudited)	**180,645**	**100,709**	**-**	**281,354**
Depreciation, amortization, impairment and disposal	53,392	8,371	671	62,434
Profit/(loss) from operating activities	**127,253**	**92,338**	**(671)**	**218,920**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	61,650*	8,770	-	70,420
Balance as at 31 March 2014				
Assets, including:	1,712,458	4,183,049**	(44,313)	5,851,194
Investments in jointly controlled entity	-	1,235	-	1,235

*This item also includes the acquisition of reception equipment for operating lease purposes.

** includes non-current assets located outside of Poland in the amount of PLN 69.6 million (not in thousands).

All material revenues are generated in Poland.

It should be noted that the 3 months ended 31 March 2014 is not comparable to the 3 months ended 31 March 2013 as Polskie Media was acquired and RS TV was disposed on 30 August 2013 (both allocated to the Broadcasting and television production segment).

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2013:

The 3 months ended 31 March 2013	Retail	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	476,659	220,417	-	697,076
Inter-segment revenues	5,372	24,827	(30,199)	-
Revenues	**482,031**	**245,244**	**(30,199)**	**697,076**
EBITDA (unaudited)	**164,678**	**80,634**	**-**	**245,312**
Depreciation, amortization, impairment and disposal	52,150	7,949	599	60,698
Profit/(loss) from operating activities	**112,528**	**72,685**	**(599)**	**184,614**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	72,536*	4,130	-	76,666
Balance as at 31 March 2013				
Assets, including:	1,593,733	4,109,258**	(73,517)	5,629,474
Investments in jointly controlled entity	-	3,484	-	3,484

*This item also includes the acquisition of reception equipment for operating lease purposes.

** includes non-current assets located outside of Poland in the amount of PLN 54.5 million (not in thousands).

Reconciliation of EBITDA and Net profit for the period:

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
EBITDA (unaudited)	**281,354**	**245,312**
Depreciation, amortization, impairment and disposal (note 9)	(62,434)	(60,698)
Profit from operating activities	**218,920**	**184,614**
Other foreign exchange rate differences, net (note 10)	(564)	1,713
Interest income (note 10)	2,663	3,573
Share of the profit of jointly controlled entity accounted for using the equity method	633	762
Interest costs (note 10 and 11)	(94,075)	(50,095)
Foreign exchange differences on *Senior Notes* (note 11)	(10,320)	(30,442)
Other	(4,701)	(989)
Gross profit for the period	**112,556**	**109,136**
Income tax	(14,384)	(14,031)
Net profit for the period	**98,172**	**95,105**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

17. Transactions with related parties

Receivables

	31 March 2014 unaudited	31 December 2013
Jointly controlled entities	614	753
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	16,180	12,157
Total*	**16,794**	**12,910**

*Amounts presented above do not include deposits paid (31 March 2014 – PLN 2,558, 31 December 2013 – PLN 2,558)

Receivables due from related parties have not been pledged as security.

Other assets

	31 March 2014 unaudited	31 December 2013
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	96,757	98,640
Total	**96,757**	**98,640**

Other current assets comprise mainly deferred costs (short- and long-term) related to the agreement with Mobyland Sp. z o.o. ("Mobyland") and Polkomtel S.A („Polkomtel").

On 27 March 2014 Cyfrowy Polsat signed a memorandum of understanding to the data transfer services agreement dated 15 December 2010 under which the package for use in future periods is set at 20.1 million GB as at 31 December 2013. The payment was already made in previous periods.

On 27 March 2014, the Parent signed an agreement with Polkomtel as regards the provision of data transmission services which set the commercial start of these services at 1 January 2014. On signing the agreement, the Parent placed an order regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the package until 31 December 2016. Payment for the above order will be settled in monthly installments, starting from 1 January 2014.

More details regarding the above-mentioned agreements are presented in note 20.

Liabilities

	31 March 2014 unaudited	31 December 2013
Jointly controlled entities	1,515	567
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	35,420	3,989
Total	**36,935**	**4,556**

Liabilities due comprise *inter alia* liabilities resulting from the agreement with Polkomtel for the provision of data services.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Revenues

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Jointly controlled entities	87	87
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	6,722	9,142
Total	**6,809**	**9,229**

In 3 months ended 31 March 2014 the most significant transactions include sale of interconnect services, sponsoring and revenues from audiotext services. In 3 months ended 31 March 2013 the most significant transactions include license fees on programming assets, transponder rental fees, sale of equipment and interconnect services and revenues from audiotext services.

Expenses and purchases of programming assets

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Jointly controlled entities	1,455	1,400
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	49,978	55,736
Total	**51,433**	**57,136**

Most significant transactions include expenses for programming assets, data transfer services, advertising services, property rental, telecommunication services with respect to the Group's customer call center, IT services, license fees for broadcasting Polsat Jim Jam and rental of filming and lighting equipment.

Gain on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	-	47
Total	**-**	**47**

18. Litigations

Management believes that the provisions as at 31 March 2014 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Group's financial situation.

19. Risk and fair value

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements. They should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Fair value

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Presented below are fair values and carrying amounts of financial instruments.

	Category according to IAS 39	The level of the fair value hierarchy	31 March 2014 unaudited		31 December 2013	
			Fair value	Carrying amount	Fair value	Carrying amount
Loans granted to third parties	A	2	125	125	124	124
Trade and other receivables	A	2	391,154	391,154	369,868	369,868
Interest rate swaps	B	2	(5,117)	(5,117)	(8,041)	(8,041)
Cross-currency interest rate swaps	B	2	(3,418)	(3,418)	(4,054)	(4,054)
Cash and cash equivalents	A	2	428,190	428,190	342,251	342,251
Loans and borrowings	C	2	(479,734)	(477,198)	(516,472)	(485,883)
Senior notes	C	2	(1,542,442)	(1,497,142)	(1,553,126)	(1,438,669)
Finance lease liabilities	C	2	(387)	(403)	(442)	(463)
Accruals	C	2	(105,624)	(105,624)	(136,024)	(136,024)
Trade and other payables and deposits	C	2	(252,280)	(252,280)	(195,142)	(195,142)
Total			**(1,569,533)**	**(1,521,713)**	**(1,701,058)**	**(1,556,033)**
Unrecognized gain/(loss)				(47,820)		(145,025)

A – loans and receivables
B – hedges
C - other

It is assumed that the fair value of cash and cash equivalents is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of finance lease liabilities, forecasted cash flows from the reporting date December 2015 (assumed date of lease agreements termination) were analyzed. The discount rate for each month was calculated as a WIBOR interest rate plus a margin regarding the Group's credit risk.

Trade and other receivables, trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking into account the time value of money, would approximately be equal to their nominal value. Evaluation methods used to calculate fair values of loans granted to related and non-related parties are based on observable market data – WIBOR interest rates.

As at 31 March 2014 loans and borrowings comprised senior facility. When determining the fair value of senior facility as at 31 March 2014, forecasted cash flows from the reporting date to 7 May 2014 (actual date of repayment of the loan) were analyzed. When determining the fair value of senior facility as at 31 December 2013, forecasted cash flows from the reporting date to 31 December 2015 (assumed date of repayment of the loan) were analyzed. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the Group's credit risk.

The fair value of interest rate swaps and cross-currency interest rate swaps is assumed in accordance to the valuation of the bank, with which the Group concluded agreements.

The fair value of bonds was calculated as their closing bid price as at the balance sheet date as quoted by Reuters multiplied by the EUR/PLN exchange rate as at the balance sheet date.
As at 31 March 2014, the Group held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value

	31 March 2014 unaudited	Level 1	Level 2	Level 3
IRS			(5,117)	
CIRS			(3,418)	
Total		**-**	**(8,535)**	**-**

As at 31 December 2013, the Group held the following financial instruments measured at fair value:

Liabilities measured at fair value

	31 December 2013	Level 1	Level 2	Level 3
IRS			(8,041)	
CIRS			(4,054)	
Total		**-**	**(12,095)**	**-**

20. Important agreements and events

Agreements for the provision of data transfer services

On 27 March 2014 Cyfrowy Polsat S.A. signed a subsequent Memorandum of Understanding ("Memorandum") to the agreement concluded between the Company and Mobyland on the provision of data transfer services. The Memorandum defines in particular a new price per 1 MB and terms and conditions of settlement of the unused data packages resulting from previous orders, and also specifies the volume and conditions of the next order the Company intends to place through Polkomtel Sp. z o.o. ("Polkomtel").
Under the signed Memorandum, the parties set a new, lower price per 1 MB of data transfer in the amount of PLN 0.00477 net (not in thousands) and decided that the unused as at the end of 2013, but already paid for data package will be recalculated in accordance with this new price. Thereby, as a result of the Memorandum, the volume of the unused, but already paid for data package in the HSPA+ and LTE technology, remaining at the Company's disposal as at the end of 2013, amounts to 20,1 million GB.

On 27 March 2014 a framework agreement ("Agreement") was signed between the Company and Polkomtel, concerning the terms of cooperation between parties as regards the provision of data transfer services by Polkomtel for the Company. The

parties agreed that the date of validity and moment of commercial start, following from the provisions of the abovementioned Agreement, will be 1 January 2014.
Within the framework of the aforesaid Agreement, Polkomtel will provide the Company with access to wireless data transfer, realized on the basis of LTE, HSPA+, HSPA and EDGE technologies. The maturity of the Agreement is unlimited and its value will be defined based on separate orders placed by the Company, regarding the purchase of Data Transfer Service, expressed as a number of GB.

On the Agreement date, the Company placed Order No. 1 with Polkomtel, regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the Order until 31 December 2016 and net price of PLN 0.00477 (not in thousands) per 1 MB. The total value of Order No. 1 amounts to PLN 297,953, and the payment will be settled in monthly installments, starting from January 2014, as follows:

- (i) for every month from January to December 2014 - in the net amount of PLN 6,667;
- (ii) for every month from January to December 2015 - in the net amount of PLN 10,000;
- (iii) for every month from January to December 2016 - in the net amount of PLN 8,163.

21. Events subsequent to the reporting date

Conclusion of a facility agreement

On 11 April 2014 Cyfrowy Polsat S.A. as the borrower, together with Telewizja Polsat sp. z o.o., Cyfrowy Polsat Trade Marks sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. entered into a facilities agreement ("Senior Facilities Agreement") with a syndicate of Polish and foreign banks led by ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking ("Global Banking Coordinators") and comprising Société Générale Bank & Trust S.A., HSBC Bank plc, Bank Millennium S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., BNP Paribas Fortis SA/NV, Credit Agricole Bank Polska S.A., Credit Agricole Corporate & Investment Banking, DNB Bank ASA, DNB Bank Polska S.A., Erste Group Bank AG, mBank S.A., PZU FIZ AN BIS 1, Raiffeisen Bank Poska S.A., RBS Bank (Polska) S.A., Société Générale S.A., Oddział w Polsce, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., as well as UniCredit Bank AG, London Branch, acting as the Agent and the Security Agent.

The Senior Facilities Agreement envisages the granting of a term facility loan ("Term Facility Loan") up to the maximum amount of PLN 2,500,000 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500,000 ("Revolving Facility Loan").

The Term Facility bears interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin, whereas the Revolving Facility Loan bears interest at a variable rate being the sum of, depending on currency, the WIBOR rate (for indebtedness in PLN) or EURIBOR (for indebtedness in EUR) or LIBOR (for indebtedness in another currency permitted under the Senior Facilities Agreement) for the appropriate interest period and the applicable margin. The margin on the Term Facility and the Revolving Facility Loan will depend on the level of the "total leverage" ratio in such way that the lower it is, the lower the margin will also be. The Term Facility will be repaid in quarterly instalment of variable value, starting on 30 June 2014, with the final debt repayment date being 11 April 2019. The final date for the repayment of the full amount of the Revolving Facility Loan will also be 11 April 2019.

The receivables of the Company and the remaining debtors under the aforementioned facilities will be secured by security interests established by the Company and other entities. In particular, such security interests will include registered pledges over a collection of movables and property rights of a variable composition, constituting elements of the business enterprise of the Company and other appropriate entities, registered and financial pledges over share in the Company's subsidiaries, the assignment of rights as security, mortgages, notarial representations on submission to enforcement and similar securities established upon shares in or assets of the Company's subsidiaries which are governed by foreign law.

The Term Facility and the Revolving Facility Loan will be used by the Company in particular:

1. for repaying the whole indebtedness arising from or referred to in the following documents:
   a) the Senior Facilities Agreement of 31 March 2011, as amended, entered into between the Company (as the borrower) and certain finance parties; and
   b) the Indenture of 20 May 2011 concerning the issuance of debt securities and relating to Senior Secured Notes; and
2. towards the general corporate and working capital purposes of the Group.

In addition, the Senior Facilities Agreement provides, inter alia, for a possibility of: (i) the utilization of the aforementioned Facilities for the repayment of indebtedness under an Indenture of 17 February 2012 relating to pay-in-kind notes ("PIK Notes") issued by Eileme 1 AB (publ), a company incorporated under the laws of Sweden and a subsidiary of Metelem Holding Company Limited, which in turn is the parent company of Polkomtel Sp. z o.o.; and (ii) the financing of acquisitions and other distributions permitted by the Senior Facilities Agreement.

Furthermore, in accordance with the provisions of the Senior Facilities Agreement, if the total leverage ratio is maintained below a level designated in that Agreement, the Company may incur additional facilities. The terms of such additional facilities will on each occasion be set out in an additional facility accession deed, executed in connection with the incurring of such additional facility, provided that the termination date of such additional facility shall be no earlier than 6 months after the last termination date of the Term Facility Loan and the Revolving Facility Loan.

Execution of forward currency transactions

In connection with the indebtedness refinancing under the Senior Secured Notes issued pursuant to the Indenture dated 20 May 2011, Cyfrowy Polsat S.A. has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 17 April 2014, as a result of which the aggregate value of these transactions reached EUR 383 million (not in thousands). The date of settlement of these transactions was defined as 6 May 2014, with the median PLN/EUR exchange rate at the level of 4.1979 PLN/EUR.

Approval of prospectus by the Polish Financial Supervision Authority

On 28 April 2014 the Polish Financial Supervision Authority approved the prospectus of the Company's Series I and Series J shares prepared for the purposes of applying for the admission of these shares to trading on a regulated market operated by the Warsaw Stock Exchange.

Resolution on the payment of dividend

On 29 April 2014 the Annual General Meeting of the Company adopted resolution on distribution of profit of the Company for the financial year of 2013. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2013 in the amount of PLN 429,013 is appropriated as follows: (i) PLN 102,860 to dividends payable to the shareholders of the Company, (ii) the remaining portion of the net profit, i.e. PLN 326,153 to the supplementary capital.

Execution of forward currency transactions

For the purposes of changing the structure of indebtedness of the Metelem Holding Company Limited group (after a takeover of Metelem by the Company) by way of increasing the capital of Metelem so as to facilitate partial repayment of indebtedness within the Metelem group through the repayment by Eileme 1 AB (publ), a subsidiary of Metelem, of its indebtedness under 14.25% PIK Notes due in 2020, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 7 May 2014, as a result of which the aggregate value of these transactions reached USD 290 million (not in thousands). The date of settlement of these transactions was defined as 23 May 2014, with the median exchange rate at the level of 3.0247 PLN/USD.

Repayment of the entire indebtedness under Senior Facilities and Senior Notes

On 7 May 2014 the Group repaid the entire indebtedness under:

(1) the senior facility granted to the Company on the basis of the Senior Facilities Agreement of 31 March 2011, as amended; and
(2) the senior secured notes issued by Cyfrowy Polsat Finance AB (publ) pursuant to the Indenture of 20 May 2011.

The funds for repayment of the facilities and the notes referred to above have been derived from a term facility issued to the Company on 11 April 2014.

Acquisition of shares in Metelem Holding Company Limited

On 7 May 2014 the Company concluded subscription agreements concerning the acquisition of subscription warrants individually with all of Metelem's shareholders, that is the EBRD, Karswell Limited ("Karswell"), Sensor Overseas Limited ("Sensor") and Argumenol Investment Company Limited ("Argumenol"). In these agreements the Company offered registered subscription warrants to the Metelem Shareholders in such way that: (a) the EBRD acquired 47,260,690 Series I registered subscription warrants; (b) Karswell acquired 157,988,268 Series J registered subscription warrants; (c) Sensor acquired 27,880,274 Series J registered subscription warrants; and (d) Argumenol acquired 58,063,948 Series J registered subscription warrants. The subscription warrants represent rights to acquire shares of the Company in the course of a conditional share capital increase of the Company approved by the Company's Extraordinary General Meeting on 16 January 2014.
In executing the rights attached to the subscription warrants referred to above, on 7 May 2014 the shareholders of Metelem made statements on the acquisition of Series I and Series J shares, respectively, and paid up the new shares with non-cash contribution in the form of Metelem shares held by each of the shareholders. In consequence, the Company acquired the ownership of 2,000,325 shares of Metelem, representing 100% of the capital and votes in that company.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0,04 each.

Admission and introduction of series I shares to stock exchange trading and admission of J shares to stock exchange

On 12 May 2014 the Management Board of the Warsaw Stock Exchange (the "WSE") declared the admission to stock exchange trading on the main market of 47,260,690 ordinary series I bearer shares of the Company with a nominal value of PLN 0.04 each. The WSE Management Board also resolved to introduce the said shares to trading on the main market, effective 14 May 2014, subject to the registration of the shares and the assignment of the code PLCFRPT00013 to them by the National Depository for Securities on 14 May 2014.
Furthermore the WSE Management Board resolved to admit to trading on the main market of 243,932,490 ordinary series J bearer shares of the Company with a nominal value of PLN 0.04 each.

Due to the fact that the Company's Series J shares are not shares of the same type as the Company's shares introduced to trading on WSE in terms of the rights to dividend and interim dividend incorporated in them, it is the Company's intention to introduce its series J shares to trading on the WSE not earlier than the rights vested in series J shares of the Company are made identical to the rights vested in the Company's shares listed on WSE, i.e., not earlier than in the 2nd quarter of 2015.

22. Other disclosures

Security relating to loans and borrowings

Establishment of security for loan facilities

The Group entered into a series of agreements establishing collateral under the SFA.

Commitments to purchase programming assets

As at 31 March 2014 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 March 2014 unaudited	31 December 2013
within one year	158,294	190,320
between 1 to 5 years	80,736	80,520
Total	**239,030**	**270,840**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

The table below presents commitments to purchase programming assets from related parties not included in the consolidated financial statements:

	31 March 2014 unaudited	31 December 2013
within one year	18,258	18,191
Total	**18,258**	**18,191**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of technical equipment was PLN 3,898 as at 31 March 2014 (PLN 4,864 as at 31 December 2013). Total amount of capital commitments resulting from agreements on property improvements was PLN 1,022 as at 31 March 2014 (PLN 509 as at 31 December 2013). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2014 was PLN 24,771 (PLN 26,809 as at 31 December 2013).

23. Judgments, financial estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates and assumptions applied in preparation of these interim condensed consolidated financial statements, excluding changes in estimates described in note 5, were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2013.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 months ended 31 March 2014

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

Table of contents

APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 14 May 2014, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of the Cyfrowy Polsat S.A. prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union, which include:

Interim Income Statement for the period from 1 January 2014 to 31 March 2014 showing a net loss for the period of:	PLN 3,567
Interim Statement of Comprehensive Income for the period from 1 January 2014 to 31 March 2014 showing a total comprehensive income for the period of:	PLN 5,397
Interim Balance Sheet as at 31 March 2014 showing total assets and total equity and liabilities of:	PLN 6,013,626
Interim Cash Flow Statement for the period from 1 January 2014 to 31 March 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 3,972
Interim Statement of Changes in Equity for the period from 1 January 2014 to 31 March 2014 showing an increase in equity of:	PLN 5,397

Notes to the Interim Condensed Financial Statements

The interim condensed financial statements have been prepared in PLN thousand unless otherwise indicated.

Dominik Libicki President of the Management Board	Tomasz Szeląg Member of the Management Board	Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board

Dorota Wołczyńska
Chief Accountant

Warsaw, 14 May 2014

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Income Statement

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Revenue	8	487,425	477,477
Operating costs	9	(381,051)	(383,175)
Other operating income, net		3,520	396
Profit from operating activities		**109,894**	**94,698**
Gain/loss on investment activities, net	10	2,177	23,372
Finance costs	11	(118,124)	(84,553)
Gross profit/(loss) for the period		**(6,053)**	**33,517**
Income tax		2,486	1,385
Net profit/(loss) for the period		**(3,567)**	**34,902**
Basic and diluted earnings per share (in PLN)		**(0.01)**	**0.10**

Interim Statement of Comprehensive Income

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Net profit / (loss) for the period		**(3,567)**	**34,902**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	11,066	3,660
Income tax relating to hedge valuation	13	(2,102)	(696)
Items that may be reclassified subsequently to profit or loss		**8,964**	**2,964**
Other comprehensive income, net of tax		**8,964**	**2,964**
Total comprehensive income for the period		**5,397**	**37,866**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Assets

	31 March 2014 unaudited	31 December 2013
Reception equipment	395,393	407,579
Other property, plant and equipment	163,410	167,072
Goodwill	52,022	52,022
Other intangible assets	71,000	72,067
Investment property	1,886	1,905
Shares in subsidiaries	4,719,928	4,719,928
Non-current deferred distribution fees	26,502	29,551
Other non-current assets	2	12,300
Total non-current assets	**5,430,143**	**5,462,424**
Inventories	159,691	144,694
Trade and other receivables	215,528	214,305
Current deferred distribution fees	70,958	70,055
Other current assets	107,251	105,154
Cash and cash equivalents	30,055	26,075
Total current assets	**583,483**	**560,283**
Total assets	**6,013,626**	**6,022,707**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Balance Sheet - Equity and Liabilities

	31 March 2014 unaudited	31 December 2013
Share capital	13,934	13,934
Share premium	1,295,103	1,295,103
Hedge valuation reserve	-	(8,964)
Retained earnings	2,117,538	2,121,105
Total equity	**3,426,575**	**3,421,178**
Loans and borrowings	236,277	239,889
Issued bonds	1,387,188	1,322,758
Finance lease liabilities	1,320	1,498
Deferred tax liabilities	81,364	93,766
Deferred income	3,008	4,079
Other non-current liabilities and provisions	7,040	7,175
Total non-current liabilities	**1,716,197**	**1,669,165**
Loans and borrowings	240,921	297,283
Issued bonds	115,263	112,207
Finance lease liabilities	2,049	2,175
Trade and other payables	287,636	304,708
Income tax liability	8,031	3,923
Deposits for equipment	2,838	2,727
Deferred income	214,116	209,341
Total current liabilities	**870,854**	**932,364**
Total liabilities	**2,587,051**	**2,601,529**
Total equity and liabilities	**6,013,626**	**6,022,707**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Cash Flow Statement

	Note	for the 3 months ended 31 March 2014 unaudited	for the 3 months ended 31 March 2013 unaudited
Net profit/(loss)		**(3,567)**	**34,902**
Adjustments for:		**142,064**	**32,590**
Depreciation, amortization, impairment and disposal	9	52,444	52,322
(Gain)/loss on sale of property, plant and equipment and intangible assets		(26)	37
Interest expense		100,864	53,206
Change in inventories		(14,997)	10,558
Change in receivables and other assets		11,642	(19,375)
Change in liabilities, provisions and deferred income		2,588	(32,904)
Valuation of hedging instruments		11,066	3,660
Foreign exchange losses, net		10,649	30,294
Income tax		(2,486)	(1,385)
Net increase in reception equipment provided under operating lease		(30,564)	(40,920)
Dividends income		-	(24,379)
Other adjustments		884	1,476
Cash from operating activities		**138,497**	**67,492**
Income tax paid		(7,911)	(281)
Interest received from operating activities		328	268
Net cash from operating activities		**130,914**	**67,479**
Acquisition of property, plant and equipment		(12,596)	(18,935)
Acquisition of intangible assets		(16,262)	(12,739)
Dividends received		-	24,379
Share capital increase in subsidiaries		-	(131,000)
Proceeds from sale of property, plant and equipment		45	26
Net cash used in investing activities		**(28,813)**	**(138,269)**
Net cash from Cash Pool with paid interest		(51,288)	111,057
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(9,052)	(15,921)
Finance lease – principal repayments		(395)	(598)
Repayment of loans and borrowings	14	(37,394)	(49,813)
Net cash from/(used in) financing activities		**(98,129)**	**44,725**
Net increase/(decrease) in cash and cash equivalents		**3,972**	**(26,065)**
Cash and cash equivalents at the beginning of period		**26,075**	**59,316**
Effect of exchange rate fluctuations on cash and cash equivalents		8	(11)
Cash and cash equivalents at the end of period		**30,055**	**33,240**

* Includes impact of hedging instruments

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Interim Statement of Changes in Equity for the 3 months ended 31 March 2014

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2014	**13,934**	**1,295,103**	**(8,964)**	**2,121,105**	**3,421,178**
Total comprehensive income	-	-	8,964	(3,567)	**5,397**
Hedge valuation reserve	-	-	*8,964*	-	***8,964***
Net profit/(loss) for the period	-	-	-	*(3,567)*	***(3,567)***
Balance as at 31 March 2014 unaudited	**13,934**	**1,295,103**	**-**	**2,117,538**	**3,426,575**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Interim Statement of Changes in Equity for the 3 months ended 31 March 2013

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2013	**13,934**	**1,295,103**	**(20,631)**	**1,692,092**	**2,980,498**
Total comprehensive income	-	-	2,964	34,902	**37,866**
Hedge valuation reserve	-	-	*2,964*	-	***2,964***
Net profit for the period	-	-	-	*34,902*	***34,902***
Balance as at 31 March 2013 unaudited	**13,934**	**1,295,103**	**(17,667)**	**1,726,994**	**3,018,364**

* The capital excluded from distribution amounts to PLN 4,645. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Financial Statements

1. The Company

Cyfrowy Polsat S.A. ('the Company', 'Cyfrowy Polsat') was incorporated in Poland as a joint stock company. The Company's shares are traded on the Warsaw Stock Exchange. The Company's registered head office is located at 4a Łubinowa Street in Warsaw.

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as Internet access services provider and a Mobile Virtual Network Operator ('MVNO').

The Company's activities comprise one segment – services rendered to general public.

The Company was incorporated under the Notary Deed dated 30 October 1996.

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group ('Group'). The Group encompasses the Company, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, Telewizja Polsat Sp. z o.o. and its subsidiaries and jointly controlled entities, Redefine Sp. z o.o. and its subsidiary, Netshare Sp. z o.o., Gery.pl Sp. z o.o. and Frazpc.pl Sp. z o.o. The Group operates in two segments: (1) retail business which relates to the provision of services to the general public, including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, production of set-top boxes; and (2) broadcasting and television production which consist mainly of production, acquisition and broadcasting of information and entertainment programs as well as TV series and feature films broadcasted on television channel in Poland.

2. Composition of the Management Board of the Company

- Dominik Libicki	President of the Management Board,
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Robert Gwiazdowski	Member of the Supervisory Board,
- Andrzej Papis	Member of the Supervisory Board,
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for the 3 months ended 31 March 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The Company applied the same accounting policies in the preparation of the financial data for the 3 months ended 31 March 2014 and the financial statements for the year 2013, presented in the annual report, except for the EU-endorsed Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 and changes to the accounting policies presented in note 5. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2014 do not have a material impact on these interim condensed financial statements.

5. Changes of the accounting policies published in the most recent annual financial statements

The Company has changed the method of inventory measure. To the end of year 2013 cost of inventories was based on the first-in first-out principle. From 1 January 2014 cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory. The estimation of the amount of the above mentioned change is impracticable.

6. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 14 May 2014.

7. Information on Seasonality in the Company's Operations

Revenue from subscription fees is not directly subject to any seasonal trend.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

8. Revenue

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Retail revenue	468,124	450,898
Sale of equipment	7,882	13,098
Other revenue	11,419	13,481
Total	**487,425**	**477,477**

Retail revenue consists of pay-TV, Internet access and MVNO subscription fees, interconnection revenues and settlements with mobile network operators, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

9. Operating costs

		for the 3 months ended	
	Note	**31 March 2014 unaudited**	**31 March 2013 unaudited**
Programming costs		119,646	116,391
Distribution, marketing, customer relation management and retention costs		76,508	78,796
Depreciation, amortization, impairment and disposal		52,444	52,322
Salaries and employee-related costs	a	30,078	26,954
Broadcasting and signal transmission costs		25,269	21,617
Cost of settlements with mobile network operators and interconnection charges		23,151	15,759
Cost of equipment sold		10,274	25,715
Cost of debt collection services and bad debt allowance and receivables written off		6,905	7,328
Other costs		36,776	38,293
Total		**381,051**	**383,175**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Salaries	24,645	22,069
Social security contributions	4,517	4,107
Other employee-related costs	916	778
Total	**30,078**	**26,954**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

10. Gain/loss on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Dividends received	-	24,379
Guarantee fees from related parties	2,304	2,276
Interest	492	(519)
Other foreign exchange losses, net	(619)	(2,764)
Total	**2,177**	**23,372**

11. Finance costs

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Interest expense on loans and borrowings	34,362	19,387
Impact of hedging instruments valuation on interest expense on loans and borrowings	5,086	27
Realization of hedging instruments (IRS)	3,040	1,379
Interest expense on issued bonds	56,829	31,139
Impact of hedging instruments valuation on interest expense on issued bonds	3,077	755
Foreign exchange differences on issued bonds	10,657	30,283
Guarantee fees	1,931	750
Bank and other charges	3,142	833
Total	**118,124**	**84,553**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2014 and 31 December 2013:

Share series	Number of shares	Nominal value of shares	Type
Series A	2,500,000	100	preference shares (2 voting rights)
Series B	2,500,000	100	preference shares (2 voting rights)
Series C	7,500,000	300	preference shares (2 voting rights)
Series D	166,917,501	6,677	preference shares (2 voting rights)
Series D	8,082,499	323	ordinary bearer shares
Series E	75,000,000	3,000	ordinary bearer shares
Series F	5,825,000	233	ordinary bearer shares
Series H	80,027,836	3,201	ordinary bearer shares
Total	**348,352,836**	**13,934**	

The shareholders' structure as at 31 March 2014 and 31 December 2013 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Pola Investments Ltd. [1]	154,204,296	6,168	44.27%	306,709,172	58.11%
Sensor Overseas Ltd. [2]	25,341,272	1,014	7.27%	50,382,647	9.55%
Other	168,807,268	6,752	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13,934**	**100%**	**527,770,337**	**100%**

[1] Pola Investments Ltd. is controlled by the TiVi Foundation, the dominant entity of which is Mr. Zygmunt Solorz-Żak

[2] Sensor Overseas Ltd. is controlled by Mr. Heronim Ruta

The shares held by Pola Investments and included in the proxy given to Pola Investments by Sensor Overseas Ltd. seated in Nicosia, Cyprus (the company controlled by Mr. Heronim Ruta), represent jointly more than 50% of votes at the general meeting of the Company. On 24 April 2014 the Company received notification concerning the revocation by Sensor Overseas Ltd. of the above mentioned proxy.

On 16 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning conditional increase in the share capital by the amount not exceeding PLN 11,648. The increase of the Company's share capital shall be effected by way of the issue of up to 291,193,180 series I and J ordinary bearer shares. All series I and J shares will be earmarked for acquisition by shareholders of Metelem Holding Company Limited ("Metelem").

On 24 January 2014 the Extraordinary General Meeting of Cyfrowy Polsat adopted resolution concerning the issuance of 291,193,180 registered subscription warrants. The warrants entitle their holders to acquire ordinary bearer shares and on 7 May 2014 were offered to the vendors of shares in Metelem (for details please refer to note 20). The Extraordinary General Meeting of Cyfrowy Polsat decided that the existing shareholders are deprived of all the preemptive rights *vis-à-vis* all of the new issue ordinary bearer shares which may be issued by the Company under the conditional increase of the Company's share capital adopted on 16 January 2014.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

On 2 April 2014 took place the registration of a conditional increase of the Company's share capital.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued.

13. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2014	2013
Balance as at 1January	**(8,964)**	**(20,631)**
Valuation of cash flow hedges	-	2,878
Amount transferred to income statement	11,066	782
Deferred tax	(2,102)	(696)
Change for period	**8,964**	**2,964**
Balance as at 31 March unaudited	**-**	**(17,667)**

Due to the repayment of existing on 31 March 2014 debt and its replacement with new credit facility (see note 20) the test for hedge effectiveness proved that hedging instruments are not effective as at 31 March 2013 and therefore the amounts presented in hedge valuation reserve were transferred to profit and loss.

In the 3 months ended 31 March 2013 the hedge was valued at PLN 2,878 (positive), with PLN 782 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 3,660 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 2,964 (positive), including deferred tax.

14. Loans and borrowings

Loans and borrowings	**31 March 2014 unaudited**	**31 December 2013**
Short-term liabilities	240,921	297,283
Long-term liabilities	236,277	239,889
Total	**477,198**	**537,172**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Change in loans and borrowings liabilities

	2014	2013
Loans and borrowings as at 1 January	**537,172**	**903,442**
Repayment of capital	(37,394)	(49,813)
Repayment of interest and commissions	(5,654)	(14,037)
Net cash from Cash Pool	(51,288)	111,591
Interest accrued	34,362	19,387
Loans and borrowings as at 31 March unaudited	**477,198**	**970,570**

Valuation of loans and borrowings was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of loans and borrowings divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The above described indebtedness was refinanced on 7 May 2014. For details, please refer to note 20.

15. Issued bonds

	31 March 2014 unaudited	31 December 2013
Short-term liabilities	115,263	112,207
Long-term liabilities	1,387,188	1,322,758
Total	**1,502,451**	**1,434,965**

Change in issued bonds payable

	2014	2013
Issued bonds payable as at 1 January	**1,434,965**	**1,409,271**
Unrealized foreign exchange losses	10,657	30,283
Interest accrued	56,829	31,139
Issued bonds payable as at 31 March unaudited	**1,502,451**	**1,470,693**

Valuation of bonds payable was based on the expected cash flow taking into account the planned repayment of existing debt, which resulted in one-time recognition of a substantial part of the cost of acquisition of bonds in the cost (increase in interest costs).

Presentation of bonds payable divided into long- and short-term liabilities is compatible with the redemption schedule contained in the agreement. The bonds were repaid on 7 May 2014. For details, please refer to note 20.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

16. Transactions with related parties

Receivables

	31 March 2014 unaudited	31 December 2013
Subsidiaries	6,394	7,339
Jointly controlled entities	586	725
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	9,209	5,796
Total	**16,189**	**13,860**

Receivables due from related parties have not been pledged as security.

Other assets

	31 March 2014 unaudited	31 December 2013
Subsidiaries	4,063	2,160
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	96,757	98,640
Total	**100,820**	**100,800**

Other current assets comprise mainly deferred costs (short- and long-term) related to the agreement with Mobyland Sp. z o.o. ("Mobyland") and Polkomtel S.A („Polkomtel").

On 27 March 2014 the Company signed a memorandum of understanding to the data transfer services agreement dated 15 December 2010 under which the package for use in future periods is set at 20.1 million GB as at 31 December 2013. The payment was already made in previous periods.

On 27 March 2014, the Company signed an agreement with Polkomtel as regards the provision of data transmission services which set the commercial start of these services at 1 January 2014. On signing the agreement, the Company placed an order regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the package until 31 December 2016. Payment for the above order will be settled in monthly installments, starting from 1 January 2014.

More details regarding the above-mentioned agreements are presented in note 19.

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Liabilites

	31 March 2014 unaudited	31 December 2013
Subsidiaries	44,064	27,309
Jointly controlled entities	1,140	380
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	29,625	106
Total	**74,829**	**27,795**

Liabilities due comprise *inter alia* liabilities resulting from the agreement with Polkomtel for the provision of data services and from using “Cyfrowy Polsat” trade mark.

Bond liabilities

	31 March 2014 unaudited	31 December 2013
Subsidiaries	1,502,451	1,434,965
Total	**1,502,451**	**1,434,965**

Revenues

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Subsidiaries	5,909	4,815
Jointly controlled entities	3	3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	971	1,552
Total	**6,883**	**6,370**

The most significant transactions include revenues from accounting services rendered to subsidiaries, interconnect services, programming fees, property rental and signal broadcast services.

Expenses

	for the 3 months ended	
	31 March 2014 unaudited	31 March 2013 unaudited
Subsidiaries	50,513	49,772
Jointly controlled entities	704	716
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over reporting entity	31,648	16,969
Total	**82,865**	**67,457**

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

The most significant transactions include license fees for broadcasting programs: Polsat Film HD, Polsat Romans, Polsat Futbol, Polsat Sport, Polsat Sport Extra, Polsat Sport Extra HD, Polsat Film, Polsat News, Polsat Play, Polsat Cafe, Polsat Sport HD and Polsat Jim Jam.

The Company also incurs expenses for using 'Cyfrowy Polsat' trade mark, data transfer services, purchasing advertising time, telecommunication services with respect to the Company's customer call center and commissions for subscribers' acquisitions.

Gains and losses on investment activities, net

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Subsidiaries	2,304	26,655
Total	**2,304**	**26,655**

Gains and losses on investment activities comprises chiefly dividends (in 2013) and also income from guarantees granted by the Company in respect to settlement of high yield notes issued by Cyfrowy Polsat Finance AB.

Finance costs

	for the 3 months ended	
	31 March 2014 unaudited	**31 March 2013 unaudited**
Subsidiaries	57,235	31,882
Total	**57,235**	**31,882**

Finance costs comprise chiefly interest on bonds and also guarantee fees in respect to settlement of Senior Facility loan.

17. Litigations

Management believes that the provisions as at 31 March 2014 are sufficient to cover potential future outflows and the adverse outcome of the disputes will not have a significant negative impact on the Company's financial situation.

18. Risk and fair value

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, the risk of changes in cash flows related to interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the Company's annual financial statements as at 31 December 2013. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

(all cash amounts presented in text are in thousand with currency specification, all amounts presented in tables are in PLN thousand, except where otherwise stated)

Presented below are fair values and carrying amounts of financial instruments.

			31 March 2014 unaudited		31 December 2013	
	Category according to IAS 39	The level of the fair value hierarchy	Fair value	Carrying amount	Fair value	Carrying amount
Trade and other receivables	A	2	213,486	213,486	210,957	210,957
IRS	B	2	(5,117)	(5,117)	(8,041)	(8,041)
CIRS	B	2	(3,418)	(3,418)	(4,054)	(4,054)
Cash and cash equivalents	A	2	30,055	30,055	26,075	26,075
Loans and borrowings	C	2	(479,734)	(477,198)	(567,761)	(537,172)
Issued bonds	C	2	(1,549,283)	(1,502,451)	(1,613,038)	(1,434,965)
Finance lease liabilities	C	2	(3,419)	(3,369)	(3,736)	(3,673)
Accruals	C	2	(95,774)	(95,774)	(123,389)	(123,389)
Trade and other payables and deposits	C	2	(153,976)	(153,976)	(132,235)	(132,235)
Total			**(2,047,180)**	**(1,997,762)**	**(2,215,222)**	**(2,006,497)**
Unrecognized gain/(loss)				(49,418)		(208,725)

A – loans and receivables
B – hedges
C - other

It is assumed that the fair value of cash and cash equivalents is equal to their nominal value, therefore no evaluation methods were used in order to calculate their fair value.

When determining the fair value of financial lease liabilities, forecasted cash flows from the reporting date to June 2017 (assumed date of repayment of lease agreements termination) were analyzed. The discount rate for each month was calculated as an applicable WIBOR interest rate plus a margin regarding the Company's credit risk.

Trade and other receivables, accruals and trade and other payables and deposits comprise mainly receivables and payables which will be settled no later than at the end of the first month after the reporting date. It was therefore assumed that the effect of their valuation, taking the effect of time value of money into account, would approximately be equal to their nominal value.

As at 31 March 2014 loans and borrowings comprised senior facility and as at 31 December 2013 senior facility and Cash Pool. When determining the fair value of senior facility as at 31 March 2014, forecasted cash flows from the reporting date to 7 May 2014 (actual date of repayment of the loan) were analyzed. When determining the fair value of senior facility as at 31 December 2013, forecasted cash flows from the reporting date to 31 December 2015 (assumed date of repayment of the loan) were analyzed. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin. The fair value of Cash Pool is set as the nominal value, which is equal to carrying amount.

The fair value of interest rate swaps and cross-currency interest rate swaps is assumed in accordance to the valuation of the bank, with which the Company concluded agreements.

When determining the fair value of issued bonds as at 31 March 2014, forecasted cash flows from the reporting date to 7 May 2014 (actual date of repayment of the bonds) were analyzed. When determining the fair value of issued bonds as at 31 December 2013, forecasted cash flows from the reporting date to 20 May 2018 (assumed maturity date of the bonds) were analyzed. EURIBOR interest rate plus margin was applied as a discount rate.

As at 31 March 2014, the Company held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value	**31 March 2014 unaudited**	**Level 1**	**Level 2**	**Level 3**
IRS			(5,117)	
CIRS			(3,418)	
Total		**-**	**(8,535)**	**-**

As at 31 December 2013, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value	**31 December 2013**	**Level 1**	**Level 2**	**Level 3**
IRS			(8,041)	
CIRS			(4,054)	
Total		**-**	**(12,095)**	**-**

19. Important agreements and events

Agreements for the provision of data transfer services

On 27 March 2014 the Company signed a subsequent Memorandum of Understanding ("Memorandum") to the agreement concluded between the Company and Mobyland on the provision of data transfer services. The Memorandum defines in particular a new price per 1 MB and terms and conditions of settlement of the unused data packages resulting from previous orders, and also specifies the volume and conditions of the next order the Company intends to place through Polkomtel Sp. z o.o. ("Polkomtel").

Under the signed Memorandum, the parties set a new, lower price per 1 MB of data transfer in the amount of PLN 0.00477 net (not in thousands) and decided that the unused as at the end of 2013, but already paid for data package will be recalculated in accordance with this new price. Thereby, as a result of the Memorandum, the volume of the unused, but already paid for data package in the HSPA+ and LTE technology, remaining at the Company's disposal as at the end of 2013, amounts to 20.1 million GB.

On 27 March 2014 a framework agreement ("Agreement") was signed between the Company and Polkomtel, concerning the terms of cooperation between parties as regards the provision of data transfer services by Polkomtel for the Company. The parties agreed that the date of validity and moment of commercial start, following from the provisions of the abovementioned Agreement, will be 1 January 2014.
Within the framework of the aforesaid Agreement, Polkomtel will provide the Company with access to wireless data transfer, realized on the basis of LTE, HSPA+, HSPA and EDGE technologies. The maturity of the Agreement is unlimited and its value will be defined based on separate orders placed by the Company, regarding the purchase of Data Transfer Service, expressed as a number of GB.

On the Agreement date, the Company placed Order No. 1 with Polkomtel, regarding the purchase of 61 million GB of data transfer service with the guaranteed validity period of the Order until 31 December 2016 and net price of PLN 0.00477 (not in thousands) per 1 MB. The total value of Order No. 1 amounts to PLN 297,953, and the payment will be settled in monthly installments, starting from January 2014, as follows:

- (i) for every month from January to December 2014 - in the net amount of PLN 6,667;
- (ii) for every month from January to December 2015 - in the net amount of PLN 10,000;
- (iii) for every month from January to December 2016 - in the net amount of PLN 8,163.

20. Events subsequent to the reporting date

Conclusion of a facility agreement

On 11 April 2014 the Company as the borrower, together with Telewizja Polsat sp. z o.o., Cyfrowy Polsat Trade Marks sp. z o.o., Polsat License Ltd. and Polsat Media Biuro Reklamy Spółka z ograniczoną odpowiedzialnością Sp. k. entered into a facilities agreement ("Senior Facilities Agreement") with a syndicate of Polish and foreign banks led by ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Corporate and Investment Banking ("Global Banking Coordinators") and comprising Société Générale Bank & Trust S.A., HSBC Bank plc, Bank Millennium S.A., Bank Pekao S.A., Bank Zachodni WBK S.A., BNP Paribas Fortis SA/NV, Credit Agricole Bank Polska S.A., Credit Agricole Corporate & Investment Banking, DNB Bank ASA, DNB Bank Polska S.A., Erste Group Bank AG, mBank S.A., PZU FIZ AN BIS 1, Raiffeisen Bank Poska S.A., RBS Bank (Polska) S.A., Société Générale S.A., Oddział w Polsce, The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Bank of Tokyo-Mitsubishi UFJ (Holland) N.V., as well as UniCredit Bank AG, London Branch, acting as the Agent and the Security Agent.

The Senior Facilities Agreement envisages the granting of a term facility loan ("Term Facility Loan") up to the maximum amount of PLN 2,500,000 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500,000 ("Revolving Facility Loan").

The Term Facility bears interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin, whereas the Revolving Facility Loan bears interest at a variable rate being the sum of, depending on currency, the WIBOR rate (for indebtedness in PLN) or EURIBOR (for indebtedness in EUR) or LIBOR (for indebtedness in another currency permitted under the Senior Facilities Agreement) for the appropriate interest period and the applicable margin. The margin on the Term Facility and the Revolving Facility Loan will depend on the level of the "total leverage" ratio in such way that the lower it is, the lower the margin will also be. The Term Facility will be repaid in quarterly instalment of variable value, starting on 30 June 2014, with the final debt repayment date being 11 April 2019. The final date for the repayment of the full amount of the Revolving Facility Loan will also be 11 April 2019.

The receivables of the Company and the remaining debtors under the aforementioned facilities are secured by security interests established by the Company and other entities. In particular, such security interests include registered pledges over a collection of movables and property rights of a variable composition, constituting elements of the business enterprise of the Company and other appropriate entities, registered and financial pledges over share in the Company's subsidiaries, the assignment of rights as security, mortgages, notarial representations on submission to enforcement and similar securities established upon shares in or assets of the Company's subsidiaries which are governed by foreign law.

The Term Facility and the Revolving Facility Loan will be used by the Company in particular:

1. for repaying the whole indebtedness arising from or referred to in the following documents:
   a) the Senior Facilities Agreement of 31 March 2011, as amended, entered into between the Company (as the borrower) and certain finance parties; and
   b) the Indenture of 20 May 2011 concerning the issuance of debt securities and relating to Senior Secured Notes; and
2. towards the general corporate and working capital purposes of the Group.

In addition, the Senior Facilities Agreement provides, inter alia, for a possibility of: (i) the utilization of the aforementioned Facilities for the repayment of indebtedness under an Indenture of 17 February 2012 relating to pay-in-kind notes ("PIK Notes") issued by Eileme 1 AB (publ), a company incorporated under the laws of Sweden and a subsidiary of Metelem Holding Company Limited, which in turn is the parent company of Polkomtel Sp. z o.o.; and (ii) the financing of acquisitions and other distributions permitted by the Senior Facilities Agreement.

Furthermore, in accordance with the provisions of the Senior Facilities Agreement, if the total leverage ratio is maintained below a level designated in that Agreement, the Company may incur additional facilities. The terms of such additional facilities will on each occasion be set out in an additional facility accession deed, executed in connection with the incurring of such additional facility, provided that the termination date of such additional facility shall be no earlier than 6 months after the last termination date of the Term Facility Loan and the Revolving Facility Loan.

Execution of forward currency transactions

In connection with the indebtedness refinancing under the Senior Secured Notes issued pursuant to the Indenture dated 20 May 2011, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 17 April 2014, as a result of which the aggregate value of these transactions reached EUR 383 million (not in thousands). The date of settlement of these transactions was defined as 6 May 2014, with the median PLN/EUR exchange rate at the level of 4.1979 PLN/EUR.

Approval of prospectus by the Polish Financial Supervision Authority

On 28 April 2014 the Polish Financial Supervision Authority approved the prospectus of the Company's Series I and Series J shares prepared for the purposes of applying for the admission of these shares to trading on a regulated market operated by the Warsaw Stock Exchange.

Resolution on the payment of dividend

On 29 April 2014 the Annual General Meeting of the Company adopted resolution on distribution of profit of the Company for the financial year of 2013. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2013 in the amount of PLN 429,013 is appropriated as follows: (i) PLN 102,860 to dividends payable to the shareholders of the Company, (ii) the remaining portion of the net profit, i.e. PLN 326,153 to the supplementary capital.

Execution of forward currency transactions

For the purposes of changing the structure of indebtedness of the Metelem Holding Company Limited group (after a takeover of Metelem by the Company) by way of increasing the capital of Metelem so as to facilitate partial repayment of indebtedness within the Metelem group through the repayment by Eileme 1 AB (publ), a subsidiary of Metelem, of its indebtedness under 14.25% PIK Notes due in 2020, the Company has executed forward currency transactions with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale Spółka Akcyjna, Oddział w Polsce, the last of which was effected on 7 May 2014, as a result of which the aggregate value of these transactions reached USD 290 million (not in thousands). The date of settlement of these transactions was defined as 23 May 2014, with the median exchange rate at the level of 3.0247 PLN/USD.

Repayment of the entire indebtedness under Senior Facilities and issued bonds

On 7 May 2014 the Company repaid the entire indebtedness under:

(1) the senior facility granted to the Company on the basis of the Senior Facilities Agreement of 31 March 2011, as amended; and
(2) the bonds issued by the Company.

The funds for repayment of the facilities and the notes referred to above have been derived from a term facility issued to the Company on 11 April 2014.

Acquisition of shares in Metelem Holding Company Limited

On 7 May 2014 the Company concluded subscription agreements concerning the acquisition of subscription warrants individually with all of Metelem's shareholders, that is the EBRD, Karswell Limited ("Karswell"), Sensor Overseas Limited ("Sensor") and Argumenol Investment Company Limited ("Argumenol"). In these agreements the Company offered registered subscription warrants to the Metelem Shareholders in such way that: (a) the EBRD acquired 47,260,690 Series I registered subscription warrants; (b) Karswell acquired 157,988,268 Series J registered subscription warrants; (c) Sensor acquired 27,880,274 Series J

registered subscription warrants; and (d) Argumenol acquired 58,063,948 Series J registered subscription warrants. The subscription warrants represent rights to acquire shares of the Company in the course of a conditional share capital increase of the Company approved by the Company's Extraordinary General Meeting on 16 January 2014.
In executing the rights attached to the subscription warrants referred to above, on 7 May 2014 the shareholders of Metelem made statements on the acquisition of Series I and Series J shares, respectively, and paid up the new shares with non-cash contribution in the form of Metelem shares held by each of the shareholders. In consequence, the Company acquired the ownership of 2,000,325 shares of Metelem, representing 100% of the capital and votes in that company.
Acquired in consideration for the non-cash contribution in the form of Metelem shares were 291,193,180 ordinary bearer shares with the nominal value of PLN 0,04 each.

Admission and introduction of series I shares to stock exchange trading and admission of J shares to stock exchange

On 12 May 2014 the Management Board of the Warsaw Stock Exchange (the "WSE") declared the admission to stock exchange trading on the main market of 47,260,690 ordinary series I bearer shares of the Company with a nominal value of PLN 0.04 each. The WSE Management Board also resolved to introduce the said shares to trading on the main market, effective 14 May 2014, subject to the registration of the shares and the assignment of the code PLCFRPT00013 to them by the National Depository for Securities on 14 May 2014.
Furthermore the WSE Management Board resolved to admit to trading on the main market of 243,932,490 ordinary series J bearer shares of the Company with a nominal value of PLN 0.04 each.

Due to the fact that the Company's Series J shares are not shares of the same type as the Company's shares introduced to trading on WSE in terms of the rights to dividend and interim dividend incorporated in them, it is the Company's intention to introduce its series J shares to trading on the WSE not earlier than the rights vested in series J shares of the Company are made identical to the rights vested in the Company's shares listed on WSE, i.e., not earlier than in the 2nd quarter of 2015.

21. Off-balance sheet liabilities

Security relating to loans and borrowings

Establishment of collateral for loan facilities

The Company entered into a series of agreements establishing collateral under the SFA.

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of the technical equipment was PLN 1,652 as at 31 March 2014 (PLN 1,895 as at 31 December 2013). Total amount of capital commitments resulting from agreements on property improvements was PLN 103 as at 31 March 2014 (PLN 0 as at 31 December 2013). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2014 was PLN 1,235 (PLN 1,979 as at 31 December 2013).

22. Judgments, financial estimates and assumptions

The preparation of financial statements in conformity with IFRS EU requires the Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and costs. Estimates and underlying assumptions are based on historical data and other factors considered as reliable under the circumstances, and their results provide grounds for an assessment of the carrying amounts of assets and liabilities which cannot be based directly on any other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key accounting estimates and assumptions applied in preparation on these interim condensed financial statements were the same as those adopted in the preparation of financial statements for the year ended 31 December 2013.