CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the six month period ended
June 30, 2014

Place and date of publication: Warsaw, August 28, 2014

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INTRODUCTION

Cyfrowy Polsat S.A. Capital Group is Poland's leading multimedia group. Within the scope of our activities we provide a comprehensive array of integrated media and telecommunication services within the following areas:

- Mobile telecommunication services, including voice and data transmission services, which we provide mainly through our subsidiary Polkomtel – one of Poland's leading telecommunications operators;
- Mobile broadband Internet, offered under two alternative brands: Cyfrowy Polsat and Plus. We also provide these services in the state-of-the-art LTE technology. We offer the largest LTE coverage in Poland and our customers attain the highest data transmission speed among offers provided by national mobile network operators technologies;
- Pay digital TV services offered by Cyfrowy Polsat – the largest pay TV provider in Poland and one of the leading satellite platforms in Europe. We offer our customers access to over 140 Polish language TV channels, including 40 channels in high definition standard, as well as additional services such as PPV, VOD Home Movie Rental, TV online, catch-up TV and Multiroom. We also provide online video services through IPLA – the leader on Poland's online video market.
- Broadcasting and television production through Telewizja Polsat, leading commercial TV broadcaster on the Polish market, offering 25 popular TV channels, including 5 in HD standard.
- Wholesale services to other operators, including i.a. network interconnection, national and international roaming shared access to network assets and lease of network infrastructure.

The Group operates in two business segments: segment of services to individual and business customers which relates to the provision of services to the general public and the broadcasting and television production segment.

Our vision and main strategic goals

We will create and deliver the most attractive TV content and telecoms products, using state-of-the-art technologies to provide top quality multi-play services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

We strive to become the number one player on the Polish entertainment and telecoms markets. To achieve this goal, we will continue to provide high quality products and services to both our individual and business customers, maximize the number of services per contract customer and we will acquire and produce superior quality content and deliver it to Polish households and individual users.

The key elements of our strategy include:

- Building the value of our customer base by increasing the number of unique customers and average revenue per user (ARPU), and by maintaining high levels of customer satisfaction,
- Maximizing revenue from produced and purchased content by widening the range of distribution, maintaining the audience share of our channels and improving our viewer profile,
- Effective management of the cost base of our integrated media and telecoms group by exploiting its inherent synergies.

This constitutes the semi-annual report of Cyfrowy Polsat Capital Group S.A. prepared as required by Paragraph 82 section 1 and 2 and Paragraph 90 of the Regulation of the Minister of Finance of February 19, 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.

1. Presentation of financial and other information

References to the Company contained in this Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group apply to Cyfrowy Polsat S.A. (Cyfrowy Polsat) and all references to the Group, Capital Group, Cyfrowy Polsat Group, Cyfrowy Polsat Capital Group or Polsat Group apply to Cyfrowy Polsat S.A. and its consolidated subsidiaries. Expressions such as "we", "us", "our" and similar apply generally to the Group, unless from the context it is clear that they apply only to the Company.

1.1. Financial and operating data

This semi-annual report contains financial statements and financial information relating to the Company and the Group. In particular, this semi-annual report contains our interim condensed consolidated financial statements for the 6-month period ended June 30, 2014, quarterly condensed consolidated financial statements for 3 and 6-month periods ended June 30, 2014, interim condensed financial statements for the 6-month period ended June 30, 2014 and quarterly condensed financial statements for the 3 and 6-month periods ended June 30, 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") and are presented in million zlotys. The financial statements were not audited, however, the interim condensed consolidated financial statements for the 6-month period ended June 30, 2014 and the interim condensed financial statements for the 6 months ended June 30, 2014 were reviewed by an independent auditor.

Certain arithmetical data contained in this semi-annual 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 report may not conform exactly to the total figure given for that column or row.

1.2. Currency presentation

Unless otherwise indicated, in this semi-annual report all references to "PLN" or "zloty" are to the lawful currency of the Republic of Poland; all references to "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 March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992) and as amended by the Treaty of Amsterdam (signed in Amsterdam on October 2, 1997) and includes, for this purpose, Council Regulations (EC) No. 1103/97 and No. 974/98.

1.3. Forward looking statements

This semi-annual report contains forward looking statements relating to future expectations regarding our business, financial and operating results. These statements are expressed, without limitation, through words such as "may", "will", "expect", "anticipate", "believe", "estimate" and similar words used in this semi-annual 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 base investment decisions on such statements, which speak only as at the date of this semi-annual 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 semi-annual report.

1.4. Industry and market data

In this Report we set out information relating to our business and the markets in which we and 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: 2013-2017);
- ZenithOptimedia;
- Megapanel PBI/Gemius;
- Central Statistical Office of Poland (GUS);
- PMR;
- Office of Electronic Communications (UKE);
- Body of European Regulators for Electronic Communications (BEREC);
- IQS;
- European Commission (Digital Agenda Scoreboard);
- Ericsson (Ericsson Mobility Report); 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.

2. Financial data overview

The following tables set out selected consolidated financial data for the 3 and 6-month periods ended June 30, 2014 and June 30, 2013. The selected financial data presented in the tables below is expressed in millions PLN, unless otherwise stated. This information should be read in conjunction with interim condensed consolidated financial statements for the 6-month period ended June 30, 2014 and interim condensed consolidated financial statements for the 3 and 6-month periods ended June 30, 2014 and the information included in item 11 of this semi-annual report, "Review of our financial situation".

Following the acquisition of Metelem Holding Company Limited on May 7, 2014, the condensed consolidated financial statements of Cyfrowy Polsat Capital S.A Group. consolidate the results of Metelem Holding Company Limited and its subsidiaries, including the telecommunications operator Polkomtel. In connection with the above we have modified the presentation of operating revenue and operating costs in the condensed consolidated income statement. None of the introduced modifications have affected the amounts of revenue, costs, net profit for the period, EBIDTA or total equity, presented by Cyfrowy Polsat Capital Group in previous periods.

Selected financial data:

- from the consolidated income statement for the 3-month periods ended June 30, 2014 and June 30, 2013 have been converted into euro at a rate of PLN 4.1667 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from April 1 to June 30, 2014;
- from the consolidated income statement and the consolidated cash flow statement for the 6 month periods ended June 30, 2014 and June 30, 2013 have been converted into euro at a rate of PLN 4.1756 per EUR 1.00, being the

average of monthly average exchange rates announced by the NBP in the reporting period i.e. from January 1 to June 30, 2014;

- from the consolidated balance sheet data as at June 30, 2014 and December 31, 2013 have been converted into euro at a rate of PLN 4.1609 per EUR 1.00 (average exchange rate published by NBP on June 30, 2014).

Such translations shall 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.

It should be noted that data for the periods of 3 and 6 months ended June 30, 2014 are not fully comparable to data for the periods of 3 and 6 months ended June 30, 2013 due to the sale of shares in RS TV S.A. in August 2013 as well as the acquisition of shares of Metelem Holding Company Limited, the indirect parent of Polkomtel, on May 7, 2014. Furthermore, it should be noted that the consolidated income statements and the consolidated cash flow statement prepared by the Group for the 3 and 6 month periods ended June 30, 2014 consolidate the results of Metelem Group for the period from May 7, 2014 to June 30, 2014, thus they do not present a complete and up to date picture of the scale of activity of Cyfrowy Polsat Group. Furthermore, in 2013 the results of the company Polskie Media S.A., acquired on August 30, 2013, were consolidated since September 1, 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.

	June 30, 2014		December 31, 2013	
	mPLN	mEUR	mPLN	mEUR
Consolidated balance sheet				
Cash and cash equivalents	2,176.9*	523.2	342.2	82.2
Assets	27,827.1	6,687.8	5,676.2	1,364.2
Non-current liabilities	14,745.0	3,543.7	1,700.2	408.6
Current liabilities	3,990.4	959.0	974.8	234.3
Equity	9,091.7	2,185.0	3,001.2	721.3
Share capital	25.6	6.2	13.9	3.3

* Includes Cash and cash equivalents, short-term deposits and restricted cash.

	For the 6-month period ended			
	June 30, 2014		December 31, 2013	
	mPLN	mEUR	mPLN	mEUR
Consolidated cash flow statement				
Net cash flow from operating activities	649.6	155.6	331.7	79.4
Net cash flow from/(used in) investment activities	1,394.1	333.9	(58.4)	(14.0)
Net cash flow used in financial activities	(478.3)	(114.5)	(278.4)	(66.7)
Net change in cash and cash equivalents	1,565.4	374.9	(5.1)	(1.2)

	for the 3 month period ended June 30				for the 6 month period ended June 30			
	2014		2013		2014		2013	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Consolidated income statement								
Retail revenue	1,204.5	289.1	452.0	108.5	1,672.3	400.5	903.6	216.4
Wholesale revenue	479.1	115.0	265.2	63.6	721.3	172.7	489.1	117.1
Sale of equipment	55.4	13.3	11.8	2.8	63.3	15.2	24.9	6.0
Other sales revenue	6.9	1.7	6.9	1.7	12.3	2.9	15.4	3.7
Revenue	**1,745.9**	**419.1**	**735.9**	**176.6**	**2,469.2**	**591.3**	**1,433.0**	**343.2**
Content costs	(260.9)	(62.6)	(239.5)	(57.5)	(471.5)	(112.9)	(446.9)	(107.0)
Distribution, marketing, customer relation management and retention costs	(132.2)	(31.7)	(81.3)	(19.5)	(207.6)	(49.7)	(160.3)	(38.4)
Depreciation, amortization, impairment and disposal	(311.3)	(74.7)	(62.3)	(15.0)	(373.8)	(89.5)	(123.0)	(29.5)
Technical costs and cost of settlements with mobile network operators	(288.0)	(69.1)	(62.0)	(14.9)	(359.3)	(86.0)	(122.7)	(29.4)
Salaries and employee-related costs	(108.2)	(26.0)	(41.9)	(10.1)	(152.8)	(36.6)	(85.0)	(20.4)
Cost of equipment sold	(189.7)	(45.5)	(16.8)	(4.0)	(200.0)	(47.9)	(42.7)	(10.2)
Cost of debt collection services and bad debt allowance and receivables written off	(18.1)	(4.3)	(9.3)	(2.2)	(24.8)	(5.9)	(15.7)	(3.8)
Other costs	(43.4)	(10.4)	(29.3)	(7.0)	(69.4)	(16.6)	(59.0)	(14.1)
Total operating cost	**(1,351.8)**	**(324.3)**	**(542.4)**	**(130.2)**	**(1,859.2)**	**(445.3)**	**(1,055.3)**	**(252.7)**
Other operating income, net	3.5	0.8	1.5	0.4	7.1	1.7	2.0	0.5
Profit from operating activities	**397.6**	**95.6**	**195.0**	**46.8**	**617.1**	**147.8**	**379.7**	**90.9**
Gain/(loss) on investment activities, net	23.9	5.7	0.7	0.1	25.1	6.0	4.6	1.1
Financial costs	(273.4)	(65.6)	(102.4)	(24.6)	(382.1)	(91.5)	(182.5)	(43.7)
Share of the profit of jointly controlled entity accounted for using the equity method	0.7	0.2	0.8	0.2	1.3	0.3	1.6	0.4
Gross profit for the period	**148.8**	**35.9**	**94.1**	**22.5**	**261.4**	**62.6**	**203.4**	**48.7**
Income tax	(16.7)	(4.0)	(13.4)	(3.2)	(31.1)	(7.4)	(27.5)	(6.6)
Net profit for the period	**132.1**	**31.9**	**80.7**	**19.3**	**230.3**	**55.2**	**175.9**	**42.1**
Basic and diluted earnings per share (not in millions)	0.25	0.06	0.23	0.06	0.53	0.13	0.50	0.12
Weighted number of issued shares in PLN	524,348,714		348,352,836		436,836,951		348,352,836	
Other consolidated financial data								
EBIDTA (1)	708.9	170.3	257.3	61.8	990.9	237.3	502.7	120.4
EBITDA margin	40.6%	40.6%	35.0%	35.0%	40.1%	40.1%	35.1%	35.1%
Operating margin	22.8%	22.8%	26.5%	26.5%	25.0%	25.0%	26.5%	26.5%
Capital expenditures (2)	110.2	24.0	25.9	6.2	139.6	33.4	61.0	14.6

(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 profitability of media and telecommunication 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 payments for our investments in property, plant and equipment and intangible assets, reduced by income from the sale of fixed assets. It does not include expenditure on purchase of reception equipment leased to our customers, which are reflected in the cash flow from operating activities.

ORGANIZATION OF CYFROWY POLSAT S.A. CAPITAL GROUP

3. Structure of Cyfrowy Polsat S.A. Capital Group

The following table and graph below present the organizational structure of Cyfrowy Polsat S.A. Capital Group as at June 30, 2014, indicating the consolidation method.

	Registered office	Activity	Share in voting rights (%) as at June 30, 2014	Share in voting rights (%) as at December 31, 2013
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	100%
Cyfrowy Polsat Finance AB	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and television production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
Nord License AS	Vollsvseien 13B, Lysaker Norway	trade of programming licenses	100%	100%
Polsat License Ltd.	Poststrasse 9,6300 Zug Switzerland	trade of programming licenses	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, Warsaw	holding activities	100%	100%
Media-Biznes Sp. z o.o.	Ostrobramska 77, Warsaw	television activities	100%	100%
Polsat Brands (einfache Gesellschaft)	Poststrasse 9, 6300 Zug Switzerland	Intellectual property rights management	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%	100%
Redefine Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Poszkole.pl Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Gery.pl Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Frazpc.pl Sp. z o.o.	Stanów Zjednoczonych 61 A, Warsaw	web portals activities	100%	100%
Netshare Sp. z o.o	Stanów Zjednoczonych 61 A, Warsaw	electronic media (Internet) advertising broker	100%	100%
CPSPV1 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	99%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	99%
PL 2014 Sp. z o.o.(1)	Stanów Zjednoczonych 53, Warsaw	other activity related to sports	60%	60%
Polsat Futbol Ltd.(2)	Office 1D, 238-246 King Street	television activities	-	100%

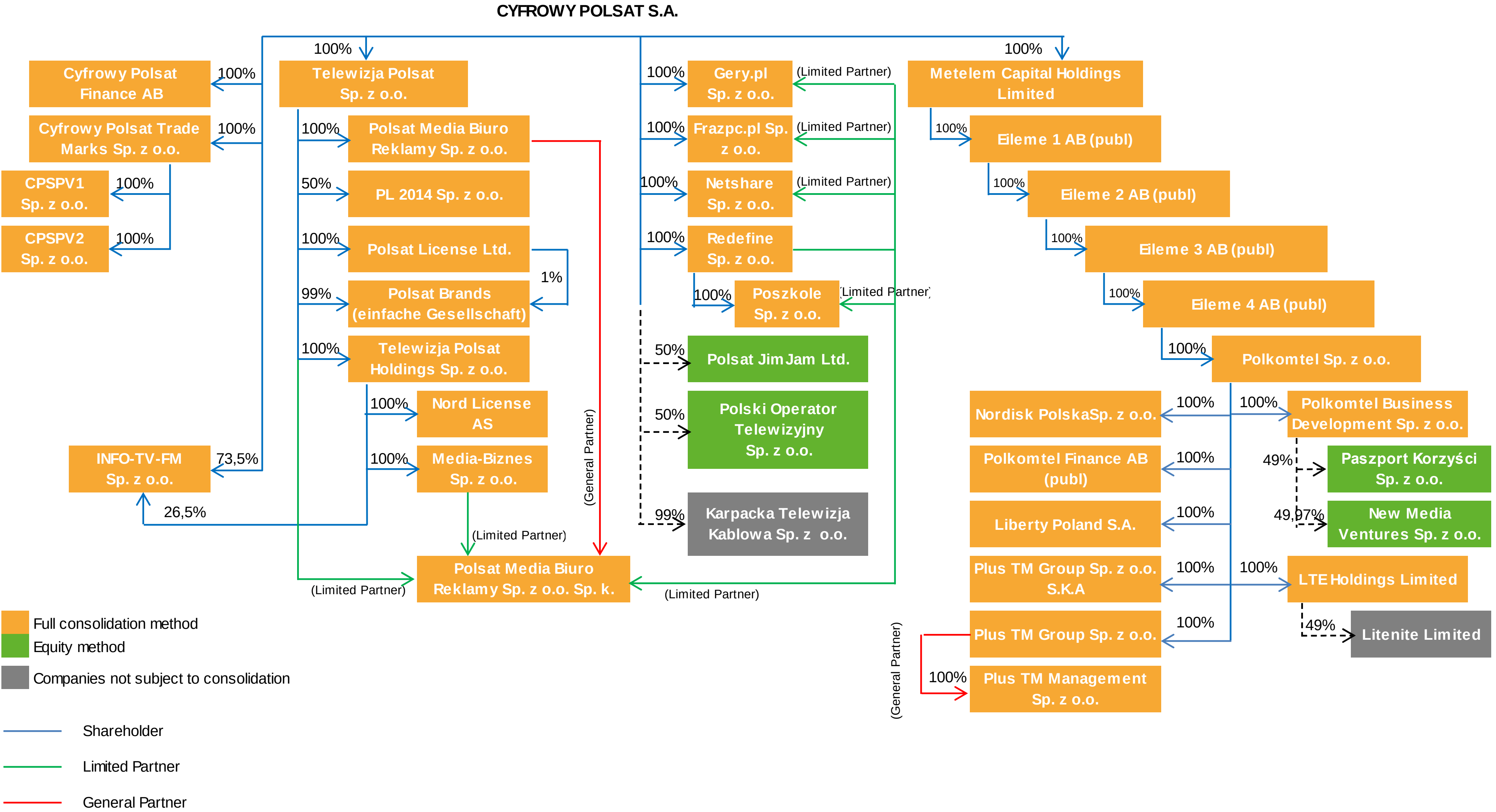
	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2014	December 31, 2013
	London W6 0RF, UK			
Metelem Holding Company Limited [3]	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding and financial activities	100%	-
Eileme 1 AB (publ) [3]	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	-
Eileme 2 AB (publ) [3]	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	-
Eileme 3 AB (publ) [3]	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	-
Eileme 4 AB (publ) [3]	Stureplan 4C, 114 35 Stockholm, Sweden	holding activities	100%	-
Polkomtel Sp. z o.o. [3]	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	-
Nordisk Polska Sp. z o.o. [3]	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	-
Polkomtel Finance AB (publ) [3]	Norrlandsgatan 18, 111 43 Stockholm, Sweden	financial activities	100%	-
Liberty Poland S.A. [3]	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	-
Polkomtel Business Development Sp. z o.o. [3]	Postępu 3, 02-676 Warsaw	other activities supporting financial services	100%	-
Plus TM Management Sp. z o.o. [3]	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	-
LTE Holdings Limited [3]	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	-
Plus TM Group Sp. z o.o. S.K.A. [3]	Postępu 3, 02-676 Warsaw	intellectual properties and similar items rental	100%	-
Plus TM Group Sp. z o.o. [3]	Postępu 3, 02-676 Warsaw	holding activities	100%	-
Subsidiaries consolidated using the equity method				
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG, Great Britain	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o. [4]	Huculska 6, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18, 02-675 Warsaw	maintenance of loyalty programs	49,97%	-
Paszport Korzyści Sp. z o.o.	Postępu 3, 02-676 Warsaw	maintenance of loyalty programs	49%	-

(1) As at June 30, 2014 the company has not begun activities
(2) Polsat Futbol Ltd. was dissolved on January 21, 2014
(3) Company consolidated since May 7, 2014
(4) The company has suspended operations

Additionally, the following entities were included in the consolidated financial statements for the 3-and 6-month periods ended June 30, 2014:

	Registered office	Activity	Share in voting rights (%) as at	
			June 30, 2014	December 31, 2013
Karpacka Telewizja Kablowa Sp. z o.o. [1]	Chorzowska 3 Str., Radom	dormant	99%	85%
Litenite Limited	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding company	49%	-

(1) Investment accounted for at cost less any accumulated impairment losses


CYFROWY POLSAT S.A.
100%
Cyfrowy Polsat Finance AB
Cyfrowy Polsat Trade Marks Sp. z o.o.
CPSPV1 Sp. z o.o.
CPSPV2 Sp. z o.o.
INFO-TV-FM Sp. z o.o.
73,5%
26,5%
Telewizja Polsat Sp. z o.o.
Polsat Media Biuro Reklamy Sp. z o.o.
50%
PL 2014 Sp. z o.o.
Polsat License Ltd.
1%
99%
Polsat Brands (einfache Gesellschaft)
Telewizja Polsat Holdings Sp. z o.o.
Nord License AS
Media-Biznes Sp. z o.o.
(General Partner)
(Limited Partner)
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.
Gery.pl Sp. z o.o.
Frazpc.pl Sp. z o.o.
Netshare Sp. z o.o.
Redefine Sp. z o.o.
Poszkole Sp. z o.o.
Polsat JimJam Ltd.
Polski Operator Telewizyjny Sp. z o.o.
99%
Karpacka Telewizja Kablowa Sp. z o.o.
Metelem Capital Holdings Limited
Eileme 1 AB (publ)
Eileme 2 AB (publ)
Eileme 3 AB (publ)
Eileme 4 AB (publ)
Polkomtel Sp. z o.o.
Nordisk PolskaSp. z o.o.
Polkomtel Business Development Sp. z o.o.
Polkomtel Finance AB (publ)
49%
Paszport Korzyści Sp. z o.o.
Liberty Poland S.A.
49,97%
New Media Ventures Sp. z o.o.
Plus TM Group Sp. z o.o. S.K.A
LTE Holdings Limited
Plus TM Group Sp. z o.o.
Litenite Limited
Plus TM Management Sp. z o.o.
Full consolidation method
Equity method
Companies not subject to consolidation
Shareholder
Limited Partner
General Partner

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

In the first half of 2014, the following changes were implemented to the structure of Cyfrowy Polsat Capital Group. These changes are the effect of acquisition as well as part of the process of optimizing the structure and processes realized within the Capital Group.

Date	Change
January 21, 2014	Dissolution of Polsat Futbol Ltd.
May 7, 2014	Acquisition of 100% of shares in Metelem Capital Holding Limited, indirect parent of Polkomtel.
May 14, 2014	Increase of the share capital of Polkomtel's subsidiary – Plus TM Group SKA on the grounds of the resolution of the Extraordinary Meeting of Shareholders of the company on the increase of the share capital to the amount of PLN 1.050 m, adopted on December 23, 2013. As at the date of the publication of this report the Company holds indirectly, through Polkomtel and its subsidiaries 21,000 shares in the share capital of Plus TM Group SKA with the nominal value of PLN 50 each and the total nominal value of PLN 1.050 m constituting 100% of the share capital of Plus TM Group SKA.
May 22, 2014	Acquisition of 1% of shares in CPSPV1 Sp. z o.o. and 1% of shares in CPSPV2 Sp. z o.o. by Cyfrowy Polsat Trade Marks. In consequence of these transactions CPTM currently holds 100% shares in both CPSPV1 and CPSPV2.
May 23, 2014	Increase of the share capital in Metelem and acquisition by Cyfrowy Polsat of 212,000 new, ordinary shares in Metelem, of the nominal value of EUR 1.00 (i.e. approx. PLN 4.15 at the average exchange rate of the Polish National Bank as at May 23, 2014) per share and the issue price of EUR 1,000 (i.e. approx. PLN 4.152 at the average exchange rate of the Polish National Bank as at May 23, 2014) per share. Prior to the share capital increase in Metelem, the Company held 2,000,325 shares in Metelem with the nominal value of EUR 1.00 per share and the total nominal value of EUR 2,000,325 (i.e. approx. PLN 8,306,149.53 at the average exchange rate of the Polish National Bank as at May 23, 2014), representing 100% of the share capital of Metelem. At the date of this report, the Company holds 2,212,325 shares in Metelem with the nominal value of EUR 1.00 per share and the total nominal value of EUR 2,212,325 (i.e. approx. PLN 9,186,458.33 at the average exchange rate of the Polish National Bank as at May 23, 2014), which still represent 100% of the share capital of Metelem.
May, 26 2014	Acquisition of shares in a subsidiary – Karpacka Telewizja Kablowa Sp. z o.o. – by Cyfrowy Polsat. In consequence of this transaction Cyfrowy Polsat currently holds 99% shares in Karpacka Telewizja Kablowa Sp. z o.o.
May 27, 2014	Dissolution of LTE 6 Sp. z o.o., a subsidiary of Polkomtel, and its removal from the National Court Register.
July 27, 2014	Acquisition of the remaining 50% of shares in the share capital of PL 2014 Sp. z o.o. by Telewizja Polsat, thereby increasing its share in the total number of votes in the company to 100%.

5. 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 semi-annual Report. 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").

Shareholder	Number of shares	% of shares	Number of votes	% of votes
Reddev Investments Limited (1), 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 (2)	**58,063,948**	**9.08**	**58,063,948**	**7.09**
Karswell Limited (2)	**157,988,268**	**24.70**	**157,988,268**	**19.29**
Sensor Overseas Limited (3), including:	**54,921,546**	**8.59**	**81,662,921**	**9.97**
- privileged registered shares	26,741,375	4.18	53,482,750	6.53
- 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	**167,107,268**	**26.13**	**167,278,518**	**20.43**
Total	**639,546,016**	**100.00**	**818,963,517**	**100.00**

(1) Reddev Investments Limited is a direct subsidiary of Pola Investments Limited controlled by TiVi Foundation, the dominant entity of which is Mr. Zygmunt Solorz-Żak.
(2) Entity controlled by Mr. Zygmunt Solorz-Żak.
(3) Entity controlled by Mr. Heronim Ruta.

5.1. 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 May 20, 2014 Pola transferred to Reddev Investments Limited („Reddev"), a direct subsidiary of Pola, in the form of a non-cash contribution a total of 154,204,296 share in the Company, constituting 24.11% of the Company's share capital, carrying the right to 306,709,172 votes at the General Meeting of the Company, which represented 37.45% of the total number of votes at the General Meeting of the Company, comprising:

(a) 152,504,876 registered privileged shares, constituting 23.85% of the Company's share capital, carrying the right to 305,009,752 votes at the General Meeting of the Company, representing 37.24% of the total number of votes at the General Meeting of the Company; and
(b) 1,699,420 ordinary bearer shares constituting 0.27% of the Company's share capital, carrying the right to 1,699,420 votes at the General Meeting of the Company, representing 0.21% of the total number of votes at the General Meeting of the Company.

Following the transaction Reddev holds directly, and Pola hold indirectly a total of 154,204,296 shares in the Company, constituting 24.11% of the Company's share capital, carrying the right to 306,709,172 votes at the General Meeting of the Company, which represent 37.45% of the total number of votes at the General Meeting of the Company, comprising:

(a) 152,504,876 registered privileged shares, constituting 23.85% of the Company's share capital, carrying the right to 305,009,752 votes at the General Meeting of the Company, representing 37.24% of the total number of votes at the General Meeting of the Company, and
(b) 1,699,420 ordinary bearer shares constituting 0,27% of the Company's share capital, carrying the right to 1,699,420 votes at the General Meeting of the Company, representing 0.21% of the total number of votes at the General Meeting of the Company.

Moreover, on June 4, 2014 the Company received a notification that Sensor, a direct subsidiary of Mr. Heronim Ruta, acquired 1,700,000 registered preferred shares privileged with respect to votes. Prior to this transaction Mr. Heronim Ruta had held indirectly through Sensor a total of 53,221,546 shares of the Company, constituting 8.32% of the Company's share capital and carrying the right to 78,262,921 votes at the General Meeting of the Company, which constituted 9.56% of the total number of votes at the Company's General Meeting, comprising:

(a) 25,041,375 registered preferred shares, constituting 3.92% of the Company's share capital, carrying the right to 50,082,750 votes at the Company's General Meeting, which constituted 6.12% of the total number of votes at the General Meeting of the Company; and

(b) 28,180,171 ordinary bearer shares, constituting 4.41% of the Company's share capital, carrying the right to 28,180,171 votes at the Company's General Meeting, which constituted 3.44% of the total number of votes at the General Meeting of the Company.

Following the described transaction and as at the date of this semi-annual report, Mr. Heronim Ruta holds indirectly (i.e. through Sensor) a total of 54,921,546 shares of the Company, constituting 8.59% of the Company's share capital carrying the right to 81,662,921 votes at the Company's General Meeting, which constitute 9.97% of the total number of votes at the General Meeting of the Company, comprising:

(a) 26,741,375 registered preferred shares, constituting 4.18% of the Company's share capital carrying the right to 53,482,750 votes at the Company's General Meeting, which constitute 6.53% of the total number of votes at the General Meeting of the Company; and

(b) 28,180,171 ordinary bearer shares, constituting 4.41% of the Company's share capital carrying the right to 28,180,171 votes at the Company's General Meeting, which constitute 3.44% of the total number of votes at the General Meeting of the Company.

6. Shares of Cyfrowy Polsat S.A. owned by the members of the Management Board and the Supervisory Board

6.1. Management Board of Cyfrowy Polsat S.A.

The following table presents shares owned directly or indirectly by our Management Board members as at August 28, 2014, the date of publication of this semi-annual Report, and changes in their holdings since the date of publication of our last periodic report (quarterly report for the first quarter of 2014) on May 15, 2014. The information included in the table is based on information received from members of our Management Board.

Management Board Member	Balance as at 15.05.2014	Increases	Decreases	Balance as at 28.08.2014
Dominik Libicki President of the Management Board	1,497	-	-	1,497

6.2. Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares controlled directly or indirectly by our Supervisory Board members as at August 28, 2014, the date of publication of this semi-annual Report, and changes in their holdings since the date of publication of our last financial report (quarterly report for the first quarter of 2014) on May 15, 2014. The information included in the table is based on information received from members of our Supervisory Board.

Supervisory Board Member	Balance as at 15.05.2014	Increases	Decreases	Balance as at 28.08.2014
Zygmunt Solorz-Żak (1) Chairman of the Supervisory Board	370,256,512	-	-	370,256,512
Heronim Ruta (2) Member of the Supervisory Board	53,221,546	1,700,000	-	54,921,546

(1) Mr. Zygmunt Solorz-Żak does not hold directly any shares in the Company. Information on entities controlled by Mr. Zygmunt Solorz-Żak that hold shares in the Company is presented in item 5 hereinabove.

(2) Mr. Heronim Ruta does not hold directly any shares in the Company. Information on entities controlled by Mr. Heronim Ruta that hold shares in the Company is presented in item 5 hereinabove.

BUSINESS REVIEW OF CYFROWY POLSAT S.A. CAPITAL GROUP

7. Who we are

Cyfrowy Polsat Group is the largest provider of integrated multimedia services in Poland. We are the leading pay TV provider and one of the leading telecommunications operators. We are also one of Poland's leading private broadcasters in terms of both audience and advertising market shares. We offer a complete package of multimedia services designed for the entire family: mobile telephony and data transfer services, broadband Internet access in 2G/3G and state-of-the-art LTE technologies, pay TV via satellite, terrestrial and online broadcasting. We also provide a wide array of wholesale services to other mobile network and television operators.

We operate in two business segments: segment of services to individual and business customers which relates to the provision of services to the general public and broadcasting and television production. In the segment of services to individual and business customers we provide services including digital television transmission signal, Internet access services, mobile TV services, online TV services, mobile services, wholesale services for other telecommunications operators and production of set-top boxes, while the 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.

7.1. Segment of services to individual and business customers

7.1.1. Mobile telephony

We provide mobile telephony services mainly through our subsidiary Polkomtel, Plus network operator. Polkomtel is one of the leading Polish mobile telecommunications network operators and the 2013 market leader in terms of revenue (UKE Report, June 2014). As at June 30, 2014 we provided 10.57 million mobile telephony services.

We provide a comprehensive array of mobile telecommunications services under the established umbrella Plus brand. Our offer includes retail services, comprising contract and prepaid voice services as well as data transmission services encompassing basic mobile broadband services, MMS, as well as a Wireless Application Protocol portal (providing multimedia, localization and social networks) and comprehensive convergent telecommunication services for large businesses.

Our retail mobile telephony offering is addressed to individual and business customers, including major corporate accounts, small and medium-sized enterprises, and the SOHO (*Small Office/Home Office*) segment. The offering is complemented by a range of *value-added services*, including entertainment and information. Additionally, our mobile telephony offer is complemented with a wide portfolio of handsets and smartphones, including devices which support the LTE technology.

7.1.2. Broadband Internet

In 2011, we were the first commercial service provider in Poland to launch LTE-based broadband Internet access service, offering technical features and quality parameters which allows to compete effectively with fixed-line Internet services, thus meeting the increasing demand of consumers. In addition, LTE-based broadband access offers mobility, which is a feature that has been increasingly more popular among consumers. Currently LTE Internet and HSPA/HSPA+ Internet cover almost 67% and nearly 100% of Poland's population, respectively.

We offer broadband Internet in the contractual model under two alternative brands: Cyfrowy Polsat and Plus. In addition, we offer broadband Internet in the prepaid model under the name Plus Internet na Kartę. Our offering is complemented by a portfolio of dedicated devices (modems, routers, tablets, laptops, installation sets which allow better reception and distribution of signal via WiFi within the house, etc.), including equipment, which supports the LTE technology. Such a wide offering allows us to address the needs of customers, who are interested in using mobile broadband Internet for its mobility as well as those customers, who want to substitute fixed-line Internet access at home or in the office.

As at June 30, 2014 we provided 1.36 million active broadband Internet access services. We believe that our Group has the potential to continue dynamic growth in the broadband Internet access market segment, mainly due to demographic conditions (ca. 40% of Poles reside in rural areas, where fixed-line Internet access in usually inaccessible) as well as the quality and variety of offered services.

7.1.3. Pay TV

We are the largest pay TV provider in Poland and a leading satellite platform in Europe in terms of the number of customers. Since 2006 we are the leader on the Polish market in terms of the number of active services as well as market share. As at June 30, 2014 we provided 4.32 million active pay TV services (including nearly 0.8 million Multiroom services).

Our offer includes mainly digital pay TV services distributed directly to end-users via satellite through set-top boxes and satellite antennas. Our programming strategy is to offer a wide range of channels that appeal to the whole family, at attractive prices. At present we provide access to over 140 Polish language TV channels, including all of Poland's main terrestrial channels as well as general entertainment, sports, music, lifestyle, news/information, children's, education and movie channels. In addition, we offer our customers access to over 40 HD channels and also provide VOD/PPV, online TV, catch-up TV and Multrioom HD services.

In June 2012, we expanded our service portfolio to include the Mobile TV service in the DVB-T standard, which enables the reception of real-time television on mobile devices. We provide customers of our Mobile TV service with access to 20 encrypted channels (8 television and 12 radio channels) and to all DTT channels.

As the only operator in Poland, we offer our subscribers our own high-quality set-top boxes at affordable prices. In the second quarter of 2014, our set-top boxes accounted for 95% of all the set-top boxes sold or otherwise made available to our pay TV customers. Until June 2014 our plant had manufactured a total of over 6 million set-top boxes, including 4.4 million HD units.

7.1.3.1. Online video

The IPLA service offered by our Group is the leader of the Polish video online streaming market, both in terms of compatibility with a broad range of end-user devices (including computers, tablets, smartphones, TV sets with Internet access, set-top boxes, and game consoles) and in terms of content volume. IPLA also enjoys a leading position in terms of the number of users and the average time spent by a single user on watching streamed content. According to our data, in the second quarter of 2014 the average number of unique users of the IPLA website/application was approximately 4.6 million per month.

IPLA online television offers its viewers access to over 1,500 films and more than 100 TV series, 36 live TV channels, around 200 hours of HD live sports coverage per month, and Poland's largest legal TV programme database, comprising approximately 48,000 video materials.

Content offered by IPLA is available to users of computers, smartphones, tablets, Internet-enabled TV sets, and game consoles, as well as subscribers of selected cable operators. IPLA can be used also via set-top boxes of Cyfrowy Polsat.

7.1.4. Bundled services

We are the leader of the bundled multimedia services market in Poland. In keeping with the rapidly changing market environment and consumer expectations, we offer a unique service package including pay TV, mobile telephony and broadband Internet access. Those services can be combined freely on an as-needed basis. Our broad range of bundled services is offered through a diverse array of digital distribution platforms, such as television sets, mobile handsets, computers and tablets.

7.1.4.1. smartDOM

In keeping with the strategy of integrating modern home products and services, Cyfrowy Polsat and Plus mobile network launched smartDOM, a joint program which enables bundling of innovative services offered by both operators to the benefit of their customers. Under the new program, customers can combine, in a flexible way, such products as satellite TV, broadband LTE Internet, telephone, electricity and banking services, and make savings for each service added to their package. The program was launched in order to achieve revenue synergies expected in connection with the incorporation of Polkomtel into Cyfrowy Polsat Capital Group.

In May 2014, Cyfrowy Polsat and Plus launched a special smartDOM offer for their existing customers, marketed under the slogan 'Second product half off, third product for one złoty'. The promotional program was based on a simple and flexible mechanism; a customer subscribed to one service with a minimum subscription fee of PLN 49.90, who purchases additional products of our Group, obtains attractive discounts throughout the entire term of the contract.

7.1.4.2. Loyalty scheme "Passport to Benefits"

The 'Passport to Benefits' loyalty scheme is addressed to the customers of Cyfrowy Polsat, Plus network and Plus Bank. Holders of a 'Passport to Benefits' are offered Plus, Cyfrowy Polsat and Plus Bank products on promotional terms, access to the smartDOM program and the 'Second product half off, third product for one złoty' promotion, discounts on products offered by program partners, and tickets to major sporting events (such as the Men's Volleyball World Championships) as well as concert and festivals. They are also offered an opportunity to appear on Telewizja Polsat entertainment shows and TV series, and to participate in numerous contests and lotteries.

Partners of the 'Passport to Benefits' scheme currently include AXA Assistance, the Eurocash Group retail chains, Orlen, superpolisa.pl, and Telepizza. New partners representing a variety of different market sectors will soon join the program.

7.1.5. Wholesale business

As part of our wholesale business, we provide services to other telecommunication operators (such as network interconnection, national and international roaming, services to MVNOs, shared access to network assets and lease of network infrastructure).

7.1.5.1. Network interconnection

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to all operators domestically and abroad. At June 30, 2014 we were party to 25 interconnection agreements with national and international operators.

As part of interconnection cooperation with other operators, we actively use the service of termination of calls in the network of Poland's largest fixed-line operator, Orange, while relying on a flat fee arrangement. This arrangement offers the possibility of constructing competitive retail offers for calls made from our mobile telecommunications network to Orange's fixed-line network for business and mass market subscribers and enables us to substantially reduce our interconnection costs.

7.1.5.2. Shared access to network assets and lease of telecommunications infrastructure

As a consequence of significant capital expenditures in the past our subsidiary, Polkomtel, has an extensive telecommunications infrastructure, which allows to handle constantly increasing usage of telecommunication products and services. In order to optimize costs of maintenance of our infrastructure, we share access to network assets and lease components of our network infrastructure from and/or to other telecommunication providers on the Polish market. In particular, we cooperate with companies from Group LTE by providing mutual services in the scope of sharing selected base stations, lease of area on their respective network installations and transmission of traffic by the party using the network from the base station to its core network.

7.1.5.3. International roaming

Within our wholesale business we provide international roaming in services to foreign mobile operators that allow the subscribers of foreign mobile telecommunications network operators to use telecommunications services (including voice calls, text messaging and data transmission) when logged to Plus mobile network and outside their home network. We also enter into international roaming wholesale agreements in order to provide, both to our own customers and the subscribers of MVNOs, international roaming services in the networks of our roaming partners.

Cooperation with roaming partners represents a major part of sales in the wholesale segment. We develop our international roaming services by offering roaming services over our own network to subscribers of foreign operators, who are currently staying in Poland. In addition, we offer the wholesale roaming service over our own network to foreign operators under discount agreements in exchange for favorable terms offered by foreign partners for the handling of roaming traffic generated by our customers, who use roaming services abroad. This helps reduce costs of wholesale international roaming services incurred by us and enables the provision of competitive international roaming services (in terms of their price and quality) to our customers.

7.1.5.4. National roaming and virtual operators (MVNOs)

We provide wholesale access to our mobile telecommunications network based on different models of cooperation, which can be divided into two main groups: national roaming and virtual operators (MVNOs).

As part of the wholesale national roaming service, we offer voice calls, text messaging and packet data transmission services to P4, the operator of Play network. P4's subscribers use the Plus mobile telecommunications network in areas not covered by the P4 network, within the scope offered by P4.

Mobile Virtual Network Operators (MVNOs) are operators that provide mobile telephony, data services and fixed-lined telephony services based on mobile networks, but do not own frequency allocations nor necessarily have all technical infrastructure required to provide telecommunications services. Their operation is typically based on the frequency allocations and the infrastructure of existing MNOs throughout the country.

As part of the cooperation with MVNOs, we provide wholesale services including voice calls, text messaging and data transmission, premium rate services, value-added services, international roaming, services provided to specific governmental authorities and agencies, hosting services on our billing platform, customer support, as well as other services, depending on the needs and selected technical model of cooperation.

7.2. Broadcasting and television production segment

7.2.1. Production and sale of television channels

Our portfolio comprises 25 channels, including our flagship POLSAT, available in SD and HD formats and 23 thematic channels. 5 channels area available in HD standard.

POLSAT, broadcast since December 5, 1992, was the first commercial channel in Poland to obtain the nationwide license for analogue broadcasting. POLSAT is the leader among Polish TV channels in terms of share in the commercial audience, aged 16-49, totaling 13.35% for the first half of 2014. Telewizja Polsat broadcasts daily, 24/7. The channel is available via digital terrestrial TV on the second multiplex (MUX-2). Apart from terrestrial signal, POLSAT is also available in SD and HD formats from most cable networks and satellite platforms. The channel features a broad range of films (a significant share of which are produced by major American film studios), entertainment shows, news and commentaries, Polish and foreign TV series, as well as popular sporting events.

Thematic channels are television channels delivered primarily over the cable/satellite (pay) and in the terrestrial network over multiplexes (free), which broadcast themed content, such as children's programmes, films, sports, lifestyle, news or weather. The table below provides an overview of thematic channels included in our portfolio as at the date of publication of this interim report along with a description of their content.

Thematic channel	Description
Polsat Sport Polsat Sport HD	Sports channel broadcasting major sports events in Poland and worldwide (volleyball, athletics, football, handball, world class boxing and MMA contests), which include live broadcast. Polsat Sport HD broadcasts the content of the corresponding sports channel in HD standard.
Polsat Sport Extra Polsat Sport Extra HD	Sports channel broadcasting premium sport events, primarily the largest international tennis tournaments such as Wimbledon and handball Champions League. Polsat Sport Extra HD broadcasts the content of the corresponding sports channel in HD standard.
Polsat Sport News	Sports channel dedicated to sports news, it is an FTA channel broadcast within the DTT technology.
Polsat Film Polsat Film HD	Movie channel broadcasting movie hits, 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	Channel dedicated to women focusing on lifestyle, fashion and gossip as well as talk-shows.
Polsat Play	Channel dedicated to men, focusing on consumer gadgets, the automotive industry, angling and cult series.
Polsat2	Channel broadcasting reruns of programs that premiered on our other channels, it is also broadcast to Polish communities abroad (mainly in the US).
Polsat News Polsat News HD	24-hour news channel broadcasting live and covering primarily news from Poland and key international events, also broadcast in high definition.
CI Polsat	Criminal channel that takes its viewers to the world of crime providing the insight to criminal laboratories, police archives and courtrooms.
Polsat News 2	News channel offering debates on politics, business and world economy, as well as programs on culture, society and international affairs.

Thematic channel	Description
Polsat Jim Jam	Children's channel based exclusively on programs by Hit Entertainment, the channel is a joint venture launched by TV Polsat and ChelloZone.
Polsat Food	Culinary channel, based on the content library of Food Network, one of the most popular channels on American television. This is a joint venture of TV Polsat and Scripps Network Interactive.
Polsat Viasat Explore	Channel dedicated to men, simple-unusual people, who work hard and have fun realizing extraordinary dreams. Polsat Viasat Explore operates based on cooperation with Viasat Broadcasting.
Polsat Viasat Nature	Nature channel targeted at the entire family, which allows viewers to accompany wildlife researchers, veterinary doctors and celebrities in their journeys and develop knowledge on dangerous predators, domestic pets and wild animals from around the world. Polsat Viasat Nature operates based on cooperation with Viasat Broadcasting.
Polsat Viasat History	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 History operates based on cooperation with Viasat Broadcasting.
Disco Polo Music	Music channel broadcasting disco polo, dance and feast music..
TV4	Nationwide entertainment channel available in DTT,the programming offer of which includes feature movies, series, entertainment programs and sports. TV4 is solely owned by TV Polsat since August 30, 2013. The channel is available in digital terrestrial television.
TV6	Nationwide entertainment channel available in DTT, broadcasting popular entertainment formats in original versions, as well as series, entertainment programs and feature movies from Polsat's library. TV6 is solely owned by TV Polsat since August 30, 2013. The channel is available in digital terrestrial television.
Polsat Romans	Channel dedicated to women. The programming offer includes both feature movies and popular and much-liked Polish and foreign series.

7.2.2. Sales of TV channel advertising airtime and sponsoring

Within out wholesale business we sell advertising and sponsoring time on our own channels as well as third-party channels. Based on data from Starlink, we estimate that in the second quarter of 2014 we captured 24.8% of the Polish TV advertising market worth approximately PLN 1,076.3 million in that period. Based on the same estimates, in the first half of 2014 our share in the Polish TV advertising market was 24.9%, while the market was estimated at PLN 1,908.0 million in that period.

A key factor with a bearing on our revenue from advertising and sponsoring time sale is our share in the total audience. Airtime on our channels is more attractive if the demographic profile of the audience meets advertisers' requirements. In order to make our airtime more attractive, our programming offering is carefully selected and broadcast in specific parts of the day.

7.2.3. Sale of channel broadcasting rights

Our channels are distributed by the majority of Polish cable networks, including such operators as UPC Polska Sp. z o.o., Multimedia Polska S.A. and Vectra S.A., and by all major satellite platforms (with the exception of sports channels, which are exclusive to the Cyfrowy Polsat platform), as well as over the IPTV system. Our agreements with third-parties provide for a non-exclusive license of a specific duration to distribute our channels. The agreements also provide for monthly licensing fees, charged as the product of the contractual rate and the number of subscribers, or as fixed fees.

As a rule, agreements for the distribution of the Group's TV channels over cable and satellite networks do not include exclusivity clauses. Standard distribution agreements stipulate monthly fees for delivering the signal of the Group's channels to subscribers of a given network. The rates depend on the number of subscribers reached by our channels.

8. Significant events

8.1. Corporate events

In 2013 Cyfrowy Polsat decided to acquire Metelem Holding Company Limited, a special-purpose vehicle organized under the laws of Cyprus, which holds indirectly 100% of voting rights at Polkomtel ("Transaction").

On November 14, 2013 and December 19, 2013, the Company and Metelem Shareholders: Argumenol, Karswell, Sensor and the European Bank for Reconstruction and Development 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 subscription 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 dated March 31, 2011 related to the acquisition of shares in Telewizja Polsat and Senior Notes issued on May 20, 2011; (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. The increase in the Company's share capital, in accordance with Article 452 § 1 of the Commercial Companies Code, was carried out on 14 May 2014 when the new shares were registered on the securities accounts of the acquirers. Following the increase, the Company's share capital amounts to PLN 25,581,840.64 and is divided into 639.546.016 shares. The total number of votes at the General Meeting amounts to 818,963,517.

New dividend policy

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 ultimate goal of the Company and its Capital Group, that is its continued growth, in particular through acquisitions and engaging in new projects.

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 required the Company to obtain refinancing, which would enable it to repay its debt under the Senior Facilities Agreement of March 31, 2011, as amended and the Senior Secured Notes issued pursuant to the Indenture of May 20, 2011 ("Refinancing").

Conclusion of the Senior Facilities Agreement

On April 11, 2014 a Senior Facilities Agreement was executed by the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media Biuro Reklamy with a syndicate of Polish and foreign banks.

The Senior Facilities Agreement provides for a Term Facility Loan of up to PLN 2.5 bn and a multi-currency Revolving Facility Loan of up to the equivalent of PLN 500 million. Concurrently with the 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 Senior Facilities Agreement.

For more details on bank loans see item 11.4 "Liquidity and capital resources" and item 12 "Information on guarantees granted by the Company or subsidiaries" of this semi-annual Report.

Redemption of Senior Secured Notes

On April 8, 2014 Cyfrowy Polsat Finance AB (publ) filed a notice of redemption of all the EUR 350 million 7.125% Senior Secured Notes due in 2018 issued by Cyfrowy Polsat Finance under the Indenture of May 20, 2011.

In connection with the refinancing of debt under the described above 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 million (PLN 1,607.8 million). The transactions are to be settled on May 6, 2014 at the average PLN/EUR exchange rate of 4.1979. Following the settlement of this transaction the Group recognized a profit of PLN 2.9 million.

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 of March 31, 2011 and the Senior Secured Notes issued on May 20, 2011 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 Senior Facilities Agreement of April 11, 2014.

Establishment of security for the debt

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, Polsat Media Biuro Reklamy, Telewizja Polsat, and Polsat License 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 Senior Facilities Agreement and other finance documents executed in relation to the Senior Facilities Agreement;

(ii) payment of any amounts due under the Senior Facilities Agreement and other finance documents executed in relation to the Senior 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.

For further details on established securities see item 12 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 net profit of the Company for the financial year of 2013 in the amount of PLN 429,012,674.99 so that PLN 102,859,516.76 was allocated to dividends payable to the shareholders of the Company, while the remaining portion of net profit, i.e. PLN 326,153,158.23 was allocated to other reserves.

The dividend day and the dividend payment day were scheduled for May 22, 2014 and June 6, 2014, respectively.

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, in particular the Refinancing of the entire debt, the parties to the Investment Agreements proceeded to closing the Transaction on May 7, 2014.

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 with Metelem Shareholders. In these agreements the Company offered registered subscription warrants to the Metelem Shareholders in such way that:

(i) 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 20.46). 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 5,957.8 million. 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, i.e. on May 14, 2014.

Mr. Zygmunt Solorz-Żak, who is the ultimate dominant entity of the Company, is the entity controlling Karswell and Argumenol. Mr. Heronim Ruta is the entity controlling Sensor.

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 April 28, 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 second 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 National Depository of Securities no. 454/14 of May 7, 2014.

Rating issued by Standard&Poor's Rating Services

On April 30, 2014 Standard & Poor's Rating Services ("S&P") affirmed its 'BB' long-term corporate credit rating on Cyfrowy Polsat with a stable outlook. At the same time S&P also assigned the long-term issue rating at 'BB' to Cyfrowy Polsat's term facility loan denominated in Polish zloty up to the maximum amount of PLN 2.5 billion and multicurrency revolving facility loan up to a maximum amount of the equivalent of PLN 500 million. Furthermore S&P raised its long-term corporate rating on Metelem from BB- to BB with a stable outlook.

S&P agency justified its decisions by the fact that Cyfrowy Polsat has made meaningful progress toward the completion of its acquisition of Metelem, including obtaining funds for refinancing of existing debt, thus meeting the main conditions precedent of the conditional investment agreements regarding the acquisition of shares in Metelem.

In the agency's view, the integration of Poland's leading direct-to-home pay-TV and one of the largest mobile telecom operators on the domestic market materially increases the diversity and scale of operation of Cyfrowy Polsat Capital Group. Therefore S&P revised its assessment of both Cyfrowy Polsat's and Metelem's business risk profile upward to "satisfactory" from "fair".

Rating actions taken by Moody's Investors Service

Following the closing of the Transaction, on May 13, 2014 Moody's Investors Service ("Moody's") changed the rating of Cyfrowy Polsat and assigned a rating to 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.

Increase in the share of capital of Metelem

On May 23, 2014 the Company acquired 212,000 new ordinary shares in the increased share capital of its subsidiary - Metelem, representing approx. 9.6% of the share capital of Metelem and carrying approx. 9.6% of the voting rights at the Shareholders' Meeting of Metelem, with the nominal value of EUR 1.00 (i.e. approx. PLN 4.15 at the average exchange rate of the Polish National Bank as at May 23, 2014) per share and the issue price of EUR 1,000 (i.e. approx. PLN 4,152 at the average exchange rate of the Polish National Banks as at 23 May 2014) per share. The total issue price for the new shares amounted to EUR 212 million (i.e. approx. PLN 883.5 million at the average exchange rate of the Polish National Bank as at May 23, 2014).

Prior to the share capital increase in Metelem, the Company held 2,000,325 shares in Metelem with the nominal value of EUR 1.00 per share and the total nominal value of EUR 2,000,325 (i.e. PLN 8,306,149.53, at the average exchange rate of the Polish National Bank as at May 23, 2014), representing 100% of the share capital of Metelem. At the date of this interim report, the Company holds 2,212,325 shares in Metelem with the nominal value of EUR 1.00 per share and the total nominal value of EUR 2,212,325 (i.e. PLN 9,186,458.33 at the average exchange rate of the Polish National Bank as at May 23, 2014), which still represent 100% of the share capital of Metelem.

Issue of a promissory note by Eileme 1

On May 27, 2014 an indirect subsidiary of the Company, Eileme 1, issued a promissory note (sw. *löpande skuldebrev*) in favor of the Company's subsidiary, Metelem, issued under Swedish law in connection with the transfer of USD 283,436,543 (i.e. PLN 865,388,453.10 at the average exchange rate of the Polish National Bank as at May 27, 2014) from Metelem to Eileme for the purposes of the repayment by Eileme 1 of its total indebtedness and the redemption of PIK Notes due in 2020, bearing interest at 14.25%. The funds transferred from Metelem to Eileme 1 came from the share capital increase in Metelem.

Redemption of PIK Notes by Eileme 1

On May 30, 2014 Eileme 1 repaid its total indebtedness under the 14.25% PIK Notes, denominated in USD. The PIK Notes were redeemed for a price equal to 103% of the nominal value increased by accrued and unpaid interest as at May 30, 2014.

The repayment of indebtedness under the PIK Notes was made from the funds obtained by Eileme 1 in connection with the issuance of a promissory in favor of Metelem on May 27, 2014.

Pledge over Metelem shares

On May 29, 2014 the Company concluded a Deed of Shares Pledge and Charge with UniCredit Bank AG, London Branch, based on which the Company established a pledge (governed by Cypriot law) over 2,212,235 shares of its subsidiary Metelem, with the total nominal value of EUR 2,212,325 (i.e. approx. PLN 9,155,707.01 at the average exchange rate of the Polish National Bank as at May 29, 2014), in favor of UniCredit Bank AG, London Branch, acting as security agent. The establishment of the pledge over Metelem shares was a subsequent action of establishing security interests related to the Senior Facilities Agreement concluded by the Company on April11, 2014.

Increase in the share capital of Plus TM Group SKA

Acting on the basis of the resolution of the Extraordinary General Meeting of Shareholders of Plus TM Group SKA dated December 23, 2013 the share capital of Plus TM Group SKA was increased from PLN 50 thousand to PLN 1.050 million by way of issue of 20,000 new, non-privileged registered series B shares of the nominal value of PLN 50 each.

Acquisition of bonds by Plus TM Group SKA

On July 7, 2014 an indirect subsidiary of the Company, Plus TM Group SKA, acquired 29 unsecured, interest–bearing bearer bonds of series 1/2014 issued in favor of Plus TM by Polkomtel, with the nominal value of PLN 10 million each. The interest rate of the bonds is determined based on the interest rate being the sum of the WIBOR 6M base rate and the margin. The maturity date of the Bonds is December 31, 2020. The acquisition of Bonds was financed by Plus TM Group SKA with its own funds.

Pledge over assets carrying significant value

In connection with the PLK Senior Facilities Agreement concluded on June 17, 2013 by Eileme 2, Eileme 3, Eileme 4 and Polkomtel, on July 10, 2014 securities were established by indirect subsidiaries of Cyfrowy Polsat over assets carrying a significant value (according to the criterion of constituting at least 10% of the value of the revenues of the Cyfrowy Polsat Capital Group for the last four financial quarters).

An indirect subsidiary of the Company, Plus TM Group SKA concluded a Bonds Pledge Agreement with Citicorp Trustee Company Limited, based on which a pledge was established in favor of Citicorp, acting as security agent of the PLK Senior Facilities Agreement, over 29 bearer, unsecured bonds of series 1/2014, of the nominal value of PLN 10 million, issued in favor of Plus TM Group SKA by Polkomtel on July 7, 2014.

Moreover, Polkomtel concluded an Agreement For The Financial and Registered Pledges over Shares with Citicorp Trustee Company Limited, based on which Polkomtel established a financial and registered pledge over 20,000 registered series B shares of its subsidiary Plus TM Group SKA with the nominal value of PLN 50 each, constituting 95,24% of the share capital of Plus TM Group SKA in favor of Citicorp, acting as security agent of the PLK Senior Facilities Agreement.

Conclusion of Interest Rate Swap transactions

On July 31, 2014 and August 1, 2014 we executed Interest Rate Swap (IRS) transactions consisting in exchanging interest payments based on the floating rate WIBOR 3M for interest payments based on an average fixed rate of 2.50% with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Spółka Akcyjna, Oddział w Polsce, Bank Zachodni WBK S.A., BNP Paribas SA and Bank Polska Kasa Opieki SA.These transactions were concluded to hedge the Company's liabilities relating to the term facility loan granted to the Company pursuant to the Senior Facilities Agreement of April 11, 2014.

The transactions were concluded for the period from September 30, 2014 until December 31, 2016 and the total nominal value of the loan being hedged is PLN 1,136.5 million.

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.

Appointment of Dominik Libicki to the Management Board of Polkomtel

On May 15, 2014 the Supervisory Board of Polkomtel appointed Mr. Dominik Libicki to the position of Member of the Management Board of Polkomtel. On July 22, 2014, following the registration of changes to the Founding Act of the Polkomtel by the adequate Court, Dominik Libicki took up the position of Vice-president of the Management Board of Polkomtel.

Appointment of Tobias Solorz to the Management Board of Cyfrowy Polsat

On July 30, 2014 the Supervisory Board of Cyfrowy Polsat adopted a resolution appointing Mr. Tobias Solorz to the position of Member of the Management Board as of September 1, 2014. Following the registration of amendments to the Articles of association of the Company by the adequate Court, Mr. Tobias Solorz will take up the position of Vice-president of the Management Board of Cyfrowy Polsat.

Appointment of Tomasz Szeląg to the Management Board of Polkomtel

On July 30, 2014 the Supervisory Board of Polkomtel appointed Mr. Tomasz Szeląg to the position Member of the Management Board of Polkomtel as of September 1, 2014.

8.2. Business related 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 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, amounted to 20.1 million GB.

A framework 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 date of concluding the framework agreement, 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. The total value of Order No. 1 amounted to PLN 297,953,280, 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 6,7 milion, which amounts to a total of PLN 80 million in 2014;

(ii) for every month from January 2015 to December 2015 - in the net amount of PLN 10,0 million, which amounts to a total of PLN 120 million in 2015;

(iii) for every month from January 2016 to December 2016 - in the net amount of PLN 8,2 million, which amounts to a total of PLN 97.95 million 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.

Purchase of data transfer services by Polkomtel

On March 27, 2014, Polkomtel and Mobyland executed a memorandum of understanding to the agreement of March 9, 2012, on the provision of wholesale telecommunications services. Prior to its execution date, Polkomtel placed two orders under the Agreement, for the purchase of data transmission services for an aggregate of 33 million GB for a total net price of PLN 222 million. In the memorandum, the parties laid down the terms for order No. 3 placed under the Agreement, for the purchase of 306 million GB in data transmission. The parties agreed that order No. 3 is to be used within 36 months from January 1, 2014.

On March 27, 2014 Polkomtel placed order No. 3 under the Agreement, and Mobyland accepted the order. Order No. 3 is for the purchase of 306 million GB in data transmission and includes data transmission services unused by Polkomtel at December 31, 2013 (approximately 8 million GB), covered by order No. 2 under the Agreement placed in 2012, and data transmission purchase order placed by Polkomtel with Mobyland in connection with the order placed by Cyfrowy Polsat with Polkomtel under framework agreement described in the point above. The total net value of order No. 3 was PLN 1,442.3 million, and the average unit net price under order No. 3 is PLN 0.0046031 per 1 MB, including the discount granted to Polkomtel. Polkomtel will be entitled to receive further discounts on its subsequent orders, however no greater than 25% of the unit net price of PLN 0.00477 per 1 MB, once the amount of data purchased under order No. 3 has been used up.

Payments due under order No. 3 will be made by Polkomtel in monthly installments, starting from January 2014, as follows:

(i) for January 2014 - in the net amount of PLN 37.5 million;
(ii) for every month from February 2014 to December 2014 - in the net amount of PLN 37.5 million;
(iii) for every month from January 2015 to December 2015 - in the net amount of PLN 39.75 million;
(iv) for every month from January 2016 to December 2016 - in the net amount of PLN 42.95 million;

smartDOM – joint program of Cyfrowy Polsat and Plus

In keeping with the strategy of integrating modern home products and services, Cyfrowy Polsat and Plus mobile network launched smartDOM, a joint program, which enables bundling of innovative services offered by both operators to the benefit of their customers. Under the new program customers can combine, in a flexible way, such products as satellite TV, broadband LTE Internet, telephone, electricity and banking services, and make savings for each service purchased added to their package. The programme was launched in order to achieve revenue synergies expected following the incorporation of Polkomtel into Cyfrowy Polsat Group.

In May 2014, Cyfrowy Polsat and Plus launched a special smartDOM offer for their existing customers, marketed under the slogan 'Second product half off, third product for one złoty'. The promotional program was based on a simple and flexible mechanism; a customer subscribed to one service with a minimum subscription fee of PLN 49.90, who purchases additional products of our Group, obtains attractive discounts throughout the entire term of the contract.

Loyalty scheme "Passport to Benefits"

The 'Passport to Benefits' loyalty scheme is addressed to the customers of Cyfrowy Polsat, Plus and Plus Bank. Holders of a 'Passport to Benefits' are offered Plus, Cyfrowy Polsat and Plus Bank products on promotional terms, access to the smartDOM program and the 'Second product half off, third product for one złoty' promotion, discounts on products offered by program partners, and tickets to major sporting events (such as the Men's Volleyball World Championships) as well as concert and festivals. They are also offered an opportunity to appear on Telewizja Polsat entertainment shows and TV series, and to participate in numerous contests and lotteries.

Currently the partners of the Benefits Passport comprise: AXA Assistance, the retail network belonging to Eurocash Group (abc, Delikatesy Centrum, Euro Sklep, Gama, Groszek, Lewiatan), Orlen, superpolisa.pl and Telepizza. Soon new partners from diverse industries will join them.

Unlimited broadband LTE Internet access

In order to satisfy the needs of our customers, who are considering the purchase of mobile broadband LTE Internet access services as a substitute for fixed-line Internet access, on June 3, 2014, as the first operator on the market, we introduced an offer of unlimited internet access in the LTE technology throughout the entire term of the contract, addressed to both our individual and business customers, marketed under the name Power LTE.

Expansion of our pay TV programming offer

In the first half 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 the 26^{th} and 27^{th} KSW Galas took place on March 22 and May 17, 2014, respectively. The events were available live in our "pay-per-view" (PPV) system to our subscribers and users of the largest online TV IPLA.

Extension of transmission rights to the next Formula 1 season

Telewizja Polsat concluded an agreement regarding the acquisition of rights to the transmission of Grand Prix Formula 1 races on its channels. Starting with the Australian 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 stories 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 presents disco polo, dance and festive music. Alongside lists of greatest hits and music clips, the channel also offers 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.

On June 9, 2014 Polsat Biznes was replaced by a news channel, which offers debates on politics, business and world economy, as well as programs on culture, society and international matters. The channel is called Polsat News 2 and complements and broadens the content delivered by our channel Polsat News, the most dynamically expanding news station in Poland.

9. Operating review

In connection with the consolidation of the results of the newly-acquired Metelem Holdings Limited Group, indirectly controlling Polkomtel, started on May 7, 2014, the Company decided to adjust the method of presentation of certain operational data to the new structure and the mode of operations of our Group. The new layout of key performance indicators (KPI) relating to our segment of services to individual and business customers, comprising in particular mobile telephony services, Internet access and pay TV are presented below.

It must be emphasized that the key performance indicators presented below for the 3 and 6-month periods ended June 30, 2013 have been prepared to present the potential effect that the performance of Metelem, and Polkomtel in particular, would have had on the Group's operating results if Metelem had been part of our Capital Group in the compared periods. These key performance indicators have been prepared for illustrative purposes only and because of their nature they present a hypothetical situation rather than the actual performance of the Group for the given periods.

Key performance indicators relating to our broadcasting and television production segment have not been modified.

When assessing our operating results in the segment of services to individual and business customers, we analyze contract services and prepaid services separately. In the case of contract services we consider the number of unique, active services provided in the contract model (RGUs), the number of customers, churn rate and average revenue per customer (ARPU). When analyzing prepaid services we consider the number of unique, active services provided in the prepaid model (prepaid RGUs) as well as average revenue per prepaid RGU. The number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days.

The table below presents our key performance indicators for the analyzed periods.

	for the 3 month period ended June 30			for the 6 month period ended June 30		
	2014	2013	change / %	2014	2013	change / %
Total number of RGUs (contract + prepaid)	**16,250,497**	**16,434,266**	**-1.1%**	**16,250,497**	**16,434,266**	**-1.1%**
CONTRACT SERVICES						
Total number of RGUs, including:	**12,023,369**	**11,868,947**	**1.3%**	**12,023,369**	**11,868,947**	**1.3%**
Pay TV, including:	4,255,544	4,127,560	3.1%	4,255,544	4,127,560	3.1%
Multiroom	*771,481*	*633,475*	*21.8%*	*771,481*	*633,475*	*21.8%*
Mobile telephony	6,644,687	6,891,314	-3.6%	6,644,687	6,891,314	-3.6%
Internet	1,123.138	850,073	32.1%	1,123.138	850,073	32.1%
Number of customers	**6,221,111**	**6,306,877**	**-1.4%**	**6,221,111**	**6,306,877**	**-1.4%**

	for the 3 month period ended June 30			for the 6 month period ended June 30		
	2014	2013	change / %	2014	2013	change / %
Average number of RGUs, including:	**11,981,389**	**11,846,507**	**1.1%**	**11,983,794**	**11,809,412**	**1.5%**
Pay TV, including:	4,243,880	4,098,051	3.6%	4,235,665	4,058,179	4.4%
Multiroom	*759,922*	*600,411*	*26.6%*	*748,119*	*567,841*	*31.7%*
Mobile telephony	6,670,820	6,917,102	-3.6%	6,710,108	6,941,354	-3.3%
Internet	1,066,689	831,354	28.3%	1,038,021	809,880	28.2%
Average number of customers	**6,242,450**	**6,317,333**	**-1.2%**	**6,258,700**	**6,316,804**	**-0.9%**
ARPU per customer [PLN]	85.3	90.3	-5.5%	85.0	89.7	-5.2%
Churn per customer	8.8%	8.8%	0 p.p.	8.8%	8.8%	0 p.p.
RGU saturation per one customer	1.93	1.88	2.6%	1.93	1.88	2.6%
PREPAID SERVICES						
Total number of RGUs, including:	**4,227,128**	**4,565,319**	**-7.4%**	**4,227,128**	**4,565,319**	**-7.4%**
Pay TV	66,578	81,441	-18.3%	66,578	81,441	-18.3%
Mobile telephony	3,923,778	4,379,630	-10.4%	3,923,778	4,379,630	-10.4%
Internet	236,772	104,248	127.1%	236,772	104,248	127.1%
Average number of RGUs, including:	**4,285,747**	**4,532,089**	**-5.4%**	**4,341,892**	**4,540,560**	**-4.4%**
Pay TV	79,253	73,828	7.3%	78,516	76,267	2.9%
Mobile telephony	3,975,410	4,370,181	-9.0%	4,033,509	4,384,078	-8.0%
Internet	231,084	88,081	162.4%	229,867	80,215	186.6%
ARPU per total prepaid RGU [PLN]	17.9	19.2	-6,8%	17.2	18.6	-7.5%
TELEVISION						
Audience share	23.6%	19.7%	20.0%	23.0%	20.0%	15.3%
Advertising market share	24.8%	21.9%	13.4%	24.9%	22.4%	11.2%

As at June 30, 2014, in the segment of services to individual and business customers, our Group provided a total of 16,250,497 active services, both in the contract and prepaid models, which constitutes a decrease of 1.1% compared to 16,434,266 active services provided as at June 30, 2013. This change was mainly due to the decrease in the number of provided prepaid services by 338,191 in the second quarter of 2014 compared to the corresponding period of the prior year, partially offset by an increase in the number of provided contract services by 140,064 in the analyzed period.

As at June 30, 2014 the share of contract services in the total number of provided, active services was 74.0%. This indicator increased from 72.3% as at June 30, 2013.

9.1. Contract services

As at June 30, 2014 we provided contract services to a total of 6,221,111 customers, i.e. 1.4% less compared to the number of customers, which the Group would have had as at June 30, 2013, if Polkomtel had been part of the Group at the time.

The number of active contract services provided by us increased by 154,422 that is 1.3%, to 12,023,369 as at June 30, 2014 from 11,868,947 as at June 30, 2013. This change is primarily the effect of an increase of the number of broadband Internet access services by 32.1% due to our strategy of actively promoting sales of services provided in the LTE/HSPA+ technologies as well as the dynamically growing number of Internet users in Poland. The total number of pay TV services provided in the contract model increased by 3.1%, is the first half of 2014 to 4,255,544 as at June 30, 2014 from 4,127,560 as at June 30, 2013 due to a significant increase in the number of Multiroom services provided. Concurrently, the number of provided mobile telephony services decreased from 6,891,314 as at June 30, 2013 to 6,644,687 as at June 30, 2014 due to the fact that the Polish mobile telephony market is highly competitive and mature. We believe that further saturation of our customer base with integrated services, including our product smartDOM, will positively influence the growth of the number of contract RGUs provided by us in the future.

ARPU per customer decreased by 5.5% to PLN 85.3 in the second quarter of 2014 from PLN 90.3 in the second quarter of 2013. In the first half of 2014 ARPU per customer fell by 5.2% to PLN 85.0 compared to PLN 89.7 in the first half of 2013. The observed decrease in ARPU in both the second quarter and first half of 2014 is mainly the result of lower interconnect revenue related to the regulatory reduction of MTR rates on voice services by 48.1% from PLN 0.0826 in the first half of 2013 to 0.0429 in the first half of 2014, as well as lower prices on the mobile telephony market due to price pressure from our main competitors. The long-term goal of our Group, however, is to maximize revenue per contract customer through sales of additional products and services among others within the framework of our program smartDOM, which already has a positive impact on ARPU per contract customer.

Thanks to our efficient customer retention programs our churn rate amounted to 8.8% in the twelve-month period ended June 30, 2014 and remained at a stable level compared to the twelve-month period ended June 30, 2013.

As at June 30, 2014 each customer from our customer base had 1.93 active contract services, which constitutes an increase of 2.6% compared to 1.88 active contract services per customer as at June 30, 2013. The increase in RGU saturation per one customer is the result of our marketing and sales activities aimed at maximizing the sale of products and services to one customer.

9.2. Prepaid services

The number of prepaid services provided by us as at June 30, 2014 decreased by 338,191, that is 7.4%, to 4,227,128 from 4,565,319 as at June 30, 2013. This change was caused by a decrease in the number of provided prepaid mobile telephony services, adjusted by an increase in the number of broadband Internet access services provided in the prepaid model.

ARPU per prepaid RGU fell by 6.8% to PLN 17.9 in the second quarter of 2014 from PLN 19.2 in the second quarter of 2013. In the first half of 2014 ARPU per prepaid RGU decreased by 7.5% to PLN 17.2 from PLN 18.6 in the first half of 2013. The main reason behind the decrease in both analyzed periods was the regulatory reduction of MTR rates on voice services by 48.1% from PLN 0.0826 in the first half of 2013 to 0.0429 in the first half of 2014, as well as lower prices on the mobile telephony market due to price pressure from our main competitors.

9.3. Television

We consider audience share by channel, advertising market share and technical reach when analyzing and evaluating our television broadcasting and production activities. The following tables set forth these key performance indicators for the relevant periods.

9.3.1. Audience share

	3 months ended June 30			6 months ended June 30		
	2014	2013	*change [%]*	2014	2013	*change [%]*
Audience share(1) (7), including:	**23.60%**	**19.66%**	***20.04%***	**23.01%**	**19.96%**	***15.28%***
POLSAT (main channel)	**13.52%**	**13.38%**	***1.05%***	**13.35%**	**14.02%**	***-4.78%***
Thematic channels(7)	**10.08%**	**6.28%**	***60.51%***	**9.67%**	**5.94%**	***62.79%***
Polsat2	1.68%	1.79%	*-6.15%*	1.61%	1.82%	*-11.54%*
Polsat News	0.90%	0.80%	*12.50%*	0.93%	0.79%	*17.72%*
Polsat Sport	0.63%	0.82%	*-23.17%*	0.52%	0.71%	*-26.76%*
Polsat Sport Extra	0.14%	0.23%	*-39.13%*	0.13%	0.18%	*-27.78%*
Polsat Sport News	0.30%	0.37%	*-18.92%*	0.28%	0.31%	*-9.68%*
Polsat Film	0.69%	0.60%	*15.00%*	0.65%	0.50%	*30.00%*
Polsat JimJam [JimJam]	0.19%	0.29%	*-34.48%*	0.22%	0.32%	*-31.25%*
Polsat Cafe	0.38%	0.37%	*2.70%*	0.40%	0.39%	*2.56%*
Polsat Play	0.66%	0.51%	*29.41%*	0.63%	0.51%	*23.53%*
CI Polsat	0.10%	0.10%	*0.00%*	0.09%	0.10%	*-10.00%*
Polsat News 2 (2)	0.07%	0.07%	*0.00%*	0.06%	0.06%	*0.00%*
Polsat Food	0.08%	0.08%	*0.00%*	0.08%	0.09%	*-11.11%*
Polsat Viasat Explore(3)(9)	0.05%	0.07%	*-28.57%*	0.05%	0.06%	*-16.67%*
Polsat Viasat History(3)	0.13%	0.17%	*-23.53%*	0.13%	0.17%	*-23.53%*

	3 months ended June 30			6 months ended June 30		
	2014	2013	*change [%]*	2014	2013	*change [%]*
Polsat Viasat Nature(3)	0.01%	0.02%	*-50.00%*	0.02%	0.02%	*0.00%*
Polsat Romans(5)	0.13%	n/a	--	0.13%	n/a	--
Disco Polo Music(8)	0.26%	n/a	--	0.26%	n/a	--
TV4 (6)	2.78%	2.96%	*-6.08%*	2.66%	2.96%	*-10.14%*
TV6 (6)	0.99%	0.60%	*65.00%*	1.00%	0.51%	*96.08%*
Advertising market share(4)	**24.8%**	**21.9%**	***13.4%***	***24.9%***	***22.4%***	***11.2%***

1) Nielsen Audience Measurement, All day ages 16-49 audience share.
2) Until February 2013 the channel operated under "TV Biznes", then until June 9, 2014 as "Polsat Biznes".
3) The channels operate under the Polsat brand since March 2013, data for H1 2013 include the period March - June 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).
8) Channel broadcast since May 2014 roku, data for the period of broadcasting.
9) Until April 29, 2014 the channel operated under "Polsat Viasat Explorer".

Viewers were attracted by the fixed slots on our main channel's schedule, such as Monday's cycle Mega Hit, that gathered on average 1.2 million viewers in the second quarter of 2014, which translated into a 21.0% audience share, as well as the series *First Love*, which gathered an average of 0.9 million viewers (24.5% audience share).

The results of the second 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 1.5 million viewers (29.1% audience share). Another new show, *Dancing with the Stars*, gathered on average 1.0 million viewers and had 17.6% audience share. Another new programming position was *Hell's Kitchen,* which attracted an average of 1.1 million viewers and gained 18.8% audience share. A key programming position in the spring schedule was the continuation of the talent show *Must be the Music.* The Sunday slots dedicated to this show had, on average, 1.0 million viewers with an audience share of 15.4%.

It is worth mentioning that the latest edition of the *Top Trends* festival also achieved high viewership results – it gathered an average of 1.2 million viewers, which translated into a 24.4% audience share.

When analyzing the first half of 2014, the most significant positions in the spring schedule comprised: the Monday Mega Hit slot (1.3 million viewers and 21.1% audience share) and its counterpart on Tuesday – 1.0 million viewers and 16.2% audience share. Another fixed slot, the series *First Love,* gathered over 1.0 million viewers (24.2% audience share).

In the first half of 2014 novelties of the spring schedule were the driver behind improved viewership results. The show *Your face sounds familiar* attracted an average of 1.4 million viewers (27.6% audience share). Another spring novelty, *Dancing with the Stars*, gathered an average of 1.1 million viewers and reached a 18,8% audience share. *Hell's Kitchen,* also a new show, had an average of 1.1 million viewers, which translated to an 18.8% audience share. The continuation of the talent show *Must be the Music* was also a key position in the spring schedule. The Sunday slots dedicated to this show had, on average, 1.2 million viewers with audience share of 16.6%.

Also the cabaret *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 incorporation of TV4 and TV6 channels into 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 both the second quarter and the first half of 2014 were recorded by TV4, Polsat2, TV6 and Polsat News. The thematic channels with the highest audience growth dynamics (compared to the first half of 2013) were TV6, Polsat Play and Polsat Film. The audience results of Polsat Group also include the audience of the new channel Polsat Romance, launched in September 2013, and the channel Disco Polo Music, which began broadcasting in May 2014.

9.3.2. Distribution and technical reach

Technical reach(1)	3 months ended June 30			6 months ended June 30		
	2014	2013	*Change / %*	2014	2013	*Change / %*
Polsat	99.9%	98.2%	*1.7%*	99.8%	98.5%	*1.3%*
Polsat2	64.4%	63.1%	*2.1%*	64.5%	62.8%	*2.7%*
Polsat News	56.2%	54.6%	*2.9%*	55.8%	54.0%	*3.3%*
Polsat Sport	49.6%	49.4%	*0.4%*	49.9%	48.9%	*2.0%*
Polsat Sport Extra	35.2%	33.9%	*3.8%*	35.3%	33.3%	*6.0%*
Polsat Sport News	89.6%	76.4%	*17.3%*	89.0%	71.8%	*24.0%*
Polsat Film	51.1%	48.0%	*6.5%*	50.9%	46.7%	*9.0%*
Polsat JimJam [JimJam]	42.9%	39.3%	*9.2%*	42.5%	38.7%	*9.8%*
Polsat Cafe	54.8%	53.2%	*3.0%*	54.7%	52.7%	*3.8%*
Polsat Play	47.1%	42.4%	*11.1%*	46.8%	41.7%	*12.2%*
CI Polsat	38.1%	34.9%	*9.2%*	37.8%	34.3%	*10.2%*
Polsat News 2(2)	55.6%	54.1%	*2.8%*	55.7%	54.0%	*3.1%*
Polsat Food	21.0%	20.7%	*1.4%*	21.2%	20.3%	4.4%
Polsat Viasat Explore (3) (7)	24.6%	21.6%	*13.9%*	25.2%	20.6%	22.3%
Polsat Viasat History (3)	34.7%	30.9%	*12.3%*	35.5%	29.5%	20.3%
Polsat Viasat Nature (3)	23.1%	18.7%	*23.5%*	23.6%	17.2%	37.2%
Polsat Romans (4)	39.3%	n/a	--	38.0%	n/a	--
Disco Polo Music (6)	35.5%	n/a	--	35.5%	n/a	--
TV4 (5)	99.5%	96.5%	*3.1%*	99.5%	95.1%	*4.6%*
TV6 (5)	89.9%	80.7%	*11.4%*	89.5%	77.0%	*16.2%*

1) Nielsen Audience Measurement, percentage of TV households able to receive a given channel; arithmetical average of monthly technical reach.
2) Until February 2013 the channel operated under "TV Biznes", then until June 9, 2014 as "Polsat 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.
5) Channel included in Polsat Group since September 2013, data relate to full periods indicated in the table above.
6) Channel broadcast since May 2014, data for the period of broadcasting.
7) Until April 29, 2014 the channel operated under "Polsat Viasat Explorer".

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. Comparing data for both the second quarter and first half of 2014 with corresponding periods of 2013, the highest growth in technical reach 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 was 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. New channels include Polsat Romans, broadcast since September 2013, and Disco Polo Music, which was launched in May 2014.

9.3.3. Advertising and sponsoring market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the first half of 2014 amounted to PLN 1,908.0 million and increased year-on-year by 5%. Based on these data, we estimate that, in the first half of 2014 our TV advertising market share increased y-o-y to 24.9% from 22.4% in the first half of 2013. In the second quarter of 2014 expenditures on TV advertising and sponsoring increased to PLN 1,076.3 million, which constitutes a y-o-y increase of 5.3%. In the second quarter of 2014 our market share increase to 24.8% from 21.9%.

In the first half of 2014, we generated 20.6% more GRPs compared to the corresponding period of 2013, mainly due to the introduction of channels TV4 and TV6 to TV Polsat Group. Excluding the effect of channels TV4 and TV6, we generated 5,3% more GRPs in the first half of 2014 compared to the same period in the prior year. In the second quarter alone we generated 27.1% more GRPs compared to the corresponding period of 2013. Excluding the effect of channels TV4 and TV6, the number of GRPs increased by 10.3% in the second quarter of 2014.

FINANCIAL PERFORMANCE OF CYFROWY POLSAT S.A. CAPITAL GROUP

10. Key positions in the consolidated income statement

Following the acquisition of Metelem Holding Company Limited on May 7, 2014, the interim condensed consolidated financial statements of Cyfrowy Polsat Capital Group consolidate the results of Metelem and its subsidiaries, including the telecommunications operator Polkomtel. In connection with the above we have modified the presentation of operating revenue and operating costs in the interim condensed consolidated income statement in order to better reflect the business model and strategy of our Group. None of the introduced modifications have affected the amounts of revenue, costs, net profit for the period, EBIDTA or total equity, presented earlier. For a detailed description of the changes made in the presentation of financial data please refer to Note 9 in the interim condensed consolidated financial statements for the 6-month period ended June 30, 2014.

10.1. Revenue

Revenue is derived from (i) retail sales, (ii) wholesale sales, (iii) sale of equipment, and (iv) other revenue sources.

Retail revenue

Retail revenue consists primarily of (i) monthly subscription fees paid by our pay digital television contract customers for programming packages, (ii) subscription fees paid by our contract customers for telecommunication services, (iii) fees for telecommunication services provided to our contract customers, which are not included in the subscription fee, (iv) payments for telecommunication services paid by our prepaid and mix customers, (v) fees for the lease of set-top boxes, (vi) activation fees, (vii) penalties, and (viii) fees for additional services. The total revenue from pay digital television and telecommunication subscription fees depends on the number of customers and the number of services provided to them, as well as on the amount of monthly subscription fees paid for our programming and telecommunication packages and the amount of additional services provided to our customers in the given period. Activation fees are collected at the moment of activation and amortized over the life of the contract.

Wholesale revenue

Our wholesale revenue comprises:

(i) advertising and sponsorship revenue;
(ii) revenue from cable and satellite operator fees;
(iii) revenue from the lease of infrastructure;
(iv) interconnect revenue;
(v) revenue from roaming;
(vi) revenue from the sale of broadcasting and signal transmission services; and
(vii) revenue from the sale of licenses, sublicenses and property rights.

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, mobile handsets, smartphones and accessories to our customers when they enter into DTH, broadband Internet and mobile telephony services agreements. customer

Other revenue

Other revenue sources consist primarily of revenue from the lease of premises and facilities and other services.

10.2. Operating costs

Operating costs consist of:

(i) content costs;
(ii) distribution, marketing, customer relation management and retention costs;

(iii) depreciation, amortization, impairment and disposal;
(iv) technical costs and cost of settlements with mobile network operators;
(v) salaries and employee-related costs;
(vi) cost of equipment sold;
(vii) cost of debt collection services and bad debt allowance and receivables written off; and
(viii) other costs.

Content costs

Content costs consist of:

(i) programming license costs;
(ii) amortization of purchased film licenses;
(iii) costs of internal and external production and amortization of sport rights; And
(iv) other content costs.

Programming license costs include monthly license fees due to television broadcasters and distributors, license fees for materials broadcast on VOD and royalties due to collective copyright management organizations and the Polish Film Institute.

Amortization of purchased film licenses includes 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.

Costs of internal and external production and amortization of sport rights 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 also include amortization of sport broadcasting rights. Amortization of TV production is based on the estimated number of showings and type of programming content. Amortization is based on the estimated number of showings and the 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 our franchising network and retail points of sale when they conclude sale or retention agreements with our customers for pay television and telecommunication 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 on TV and radio commercials, press, online and outdoor 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 (i) amortization of network systems components and telecommunication network equipment (access and core network equipment, network management systems and software), (ii) amortization of costs of telecommunications concessions acquired by Polkomtel, (iii) amortization and depreciation of set-top boxes leased to our customers, (iv) amortization of plant and equipment, TV and broadcasting equipment, (v) amortization of intangible assets, including customer relationships, trademarks and IT programs, (vi) non-current assets impairment allowance and (vii) net value of disposed property, plant and equipment as well as intangible assets, no longer suitable for use.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators comprise:

(i) telecommunications and IT infrastructure lease costs;
(ii) electric energy costs connected with the functioning of our telecommunications network;
(iii) telecommunication network maintenance costs and fees;
(iv) IT systems maintenance costs;
(v) payments for the lease of satellite transponder capacity;

(vi) payments for the use of conditional access system based on the number of access cards;
(vii) TV broadcasting costs (digital terrestrial transmission and DVB-T, in 2013 also analogue);
(viii) cost of settlements with mobile network operators and interconnection charges; and
(ix) other costs.

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 of 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.

Cost of equipment sold

Cost of equipment sold relates mostly to set-top boxes, STB hard disk drives, antennas, Internet modems, routers, tablets, laptops, mobile handsets, smartphones and accessories 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;
(ii) bad debt allowance and the cost of receivables written off; and
(iii) gains and losses from the sales of liabilities.

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 of 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.

Other costs

Key items of other costs include:

(i) the cost of SMART and SIM cards provided to customers;
(ii) the cost of licenses and other current assets sold;
(iii) legal, advisory and consulting costs;
(iv) property maintenance costs;
(v) taxes and other charges;
(vi) guarantee services costs;
(vii) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production; and
(viii) other costs.

10.3. Other operating income/costs, net

Other operating income/costs consists of inventory impairment write-downs/reversals and other operating revenue/costs, not derived in the ordinary course of business.

10.4. Gains and losses on investment activities, net

Gains and losses on investment activities, net include interest income on invested funds, accrued interest, 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.

10.5. 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, guarantee fees relating to the indebtedness resulting from SFA and Indenture as well as discount on license liabilities.

11. Review of our financial situation

The following review of results for the three and six-month period ended June 30, 2014 was prepared based on the interim condensed consolidated financial statements for the six-month period ended June 30, 2014, and interim condensed consolidated financial statements for the three and six-month period ended June 30, 2014, prepared in accordance with International Accounting Standard 34 and internal analysis.

All financial data presented in the chapter below are expressed in millions of PLN.

In 2014 the results of the Metelem and its subsidiaries ("Metelem group"), acquired on May 7, 2014, were consolidated since the date of acquisition, therefore our results for the first half of 2014 are not fully comparable with the results for the corresponding period of 2013. For comparability reasons, in the following comparison of results for the six-month period ended June 30, 2014 with results for the corresponding period of 2013 we exclude, where possible, the effect of consolidation of the results of Metelem group. Additionally, it should be noted that the consolidated income statement as well as the consolidated cash flow statement prepared by Cyfrowy Polsat Group for the 3 and 6-month periods ended June 30, 2014 comprise the results of Metelem group for the period from May 7, 2014 until June 30, 2014, therefore they do not fully present the current scale of operations of the Group.

Furthermore, on August 30, 2013 shares in RS TV S.A. were sold and the results of the company Polskie Media S.A., acquired on August 30, 2013, were consolidated from September 1, 2013. In consequence data for the first half of 2014 and 2013 are not fully comparable. 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.

11.1. Income statement analysis

11.1.1. Review of financial results for the 3-month period ended June 30, 2014 compared with the corresponding period of the prior year

Revenue

Our total revenue increased by PLN 1,010.0 or 137.2%, to PLN 1,745.9 for the three-month period ended June 30, 2014 from PLN 735.9 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, our total revenue increased by PLN 57.1 or 7,8%, to PLN 793.0 for the three-month period ended June 30, 2014 from PLN 735.9 for the three-month period ended June 30, 2013. Revenue grew for the reasons set forth below.

	results including Metelem group	results excluding Metelem group			
	for the 3-month period ended June 30, 2014	for the 3 month period ended June 30		change	
		2014	2013	[mPLN]	[%]
Retail revenue	1,204.5	471.1	452.0	19.1	4.2%
Wholesale revenue	479.1	304.0	265.2	38.8	14.6%
Sale of equipment	55.4	12.8	11.8	1.0	8.5%
Other revenue	6,9	5.1	6,9	(1.8)	(26,1%)
Revenue	**1,745.9**	**793.0**	**735.9**	**57.1**	**7.8%**

Retail revenue

Retail revenue increased by PLN 752.5 or 166.5%, to PLN 1,204.5 for the three-month period ended June 30, 2014 from PLN 452.0 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, retail revenue increased by PLN 19.1 or 4.2%, to PLN 471.1 for the three-month period ended June 30, 2014 from PLN 452.0 for the three-month period ended June 30, 2013. This increase primarily resulted from an increase in DTH subscription fee revenue and an increase in revenue from telecommunication services as well as increased data usage within our broadband Internet service.

Wholesale revenue

Wholesale revenue increased by PLN 213.9 or 80.7%, to PLN 479.1 in the second quarter of 2014 from PLN 265.2 in the second quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, wholesale revenue increased by PLN 38.8 or 14.6%, to PLN 304.0 in the second quarter of 2014 from PLN 265.2 in the second quarter of 2013. This increase is the net effect of significantly better advertising revenue generated by Telewizja Polsat compared to the growth dynamics of the television advertising market as well as the recognition in the second quarter of 2014 of revenue generated by the channels TV4 and TV6 (consolidated since September 1, 2013) and lower revenue from broadcasting and signal transmission services as a consequence of the sale of RS TV S.A. in August 2013.

Sale of equipment

Revenue from the sale of equipment increased by PLN 43.6 or 369.5%, to PLN 55.4 in the second quarter of 2014 from PLN 11.8 in the second quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, revenue from the sale of equipment increased by PLN 1.0 or 8.5%, to PLN 12.8 in the second quarter of 2014 from PLN 11.8 in the second quarter of 2013. This increase was due to increased revenue from sales of laptops, tablets and routers, partially adjusted by a decrease in revenue from sales of devices for the reception of Mobile TV in DVB-T technology.

Other revenue

Other revenue amounted to PLN 6.9 in the three-month period ended June 30, 2014 and remained at an unchanged level compared to the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, other revenue decreased by PLN 1.8 or 26.1%, to PLN 5.1 for the three-month period ended June 30, 2014 from PLN 6.9 for the three-month period ended June 30, 2013, i.a. due to a decrease in revenue from the lease of premises and equipment as a consequence of the sale of RS TV S.A. in August 2013.

Operating costs

Our total operating costs increased by PLN 809.4 or 149.2%, to PLN 1,351,8 for the three-month period ended June 30, 2014 from PLN 542.4 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, our total operating costs increased by PLN 36.5 or 6.7%, to PLN 578.9 for the three-month period ended June 30, 2014 from PLN 542.4 for the three-month period ended June 30, 2013. Operating costs grew for the reasons set forth below.

	results including Metelem group	results excluding Metelem group			
	for the 3-month period ended June 30, 2014	for the 3 month period ended June 30		change	
		2014	2013	[mPLN]	[%]
Content costs	260.9	259.4	239.5	219.9	8.3%
Distribution, marketing, customer relation management and retention costs	132.2	76.2	81.3	(5.1)	(6.3%)
Depreciation, amortization, impairment and disposal	311.3	65.5	62.3	3.2	5.1%
Technical costs and cost of settlements with mobile network operators	288.0	73.8	62.0	11.8	19.0%
Salaries and employee-related costs	108.2	48.4	41.9	6.5	15.5%
Cost of equipment sold	189.7	14.4	16.8	(2.4)	(14.3%)
Cost of debt collection services and bad debt allowance and receivables written off	18.1	12.1	9.3	2.8	30.1%
Other costs	43.4	29.1	29.3	(0.2)	(0.7%)
Operating costs	**1,351.8**	**578.9**	**542.4**	**36.5**	**6.7%**

Content costs

Content costs increased by PLN 21.4 or 8.9%, to PLN 260.9 for the three-month period ended June 30, 2014 from PLN 239.5 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, content costs increased by PLN 19.9 or 8.3%, to PLN 259.4 for the three-month period ended June 30, 2014 from PLN 239.5 for the three-month period ended June 30, 2013. This increase is the net effect of: (i) higher internal production costs for our main channel POLSAT, related to new positions in the programming schedule and actions aimed at increasing the attractiveness of the content offered by us, (ii) accounting for internal production costs of TV4 and TV6 channels, (iii) lower average cost of film broadcasting on our main channel POLSAT, and (iv) higher costs of programming licenses, which directly contribute to improving the quality of our pay TV packages.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 50.9 or 62.2%, to PLN 132.2 for the three-month period ended June 30, 2014 from PLN 81.3 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, distribution, marketing, customer relation management and retention costs decreased by PLN 5.1 or 6.3%, to PLN 76.2 for the three-month period ended June 30, 2014 from PLN 81.3 for the three-month period ended June 30, 2013. This decrease was due, among other things, to increased efficiency of distribution and allocation of advertising budgets as well as effective cost control in the area of customer relations and retention.

Depreciation, amortization, impairment and disposal

Depreciation, amortization, impairment and disposal costs increased by PLN 249.0 or 399.7%, to PLN 311.3 for the three-month period ended June 30, 2014 from PLN 62.3 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, depreciation, amortization, impairment and disposal costs increased by PLN 3.2 or 5.1%, to PLN 65.5 for the three-month period ended June 30, 2014 from PLN 62.3 for the three-month period ended June 30, 2013 i.a. due to the dynamic migration of our satellite platform customers to the MPEG4 technology, which requires the substitution of SD set-top boxes with HD set-top boxes.

The presented amortization costs exclude the costs of amortization of the trademark Plus. As at the date of this Report neither the value nor the life-time of this trademark was determined. The cost of amortization of the Plus trademark will be accrued from the moment of purchase (i.e. from May 7, 2014) in the quarter, when the Company determines the value and life-time of this trademark.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators increased by PLN 226.0 or 364.6 %, to PLN 288.0 in the second quarter 2014 from PLN 62.0 in the second quarter 2013. Excluding the effect of consolidation of the results of Metelem group, technical costs and cost of settlements increased by PLN 11.8 or 19.0%, to PLN 73.8 in the second quarter 2014 from PLN 62,0 in the second quarter 2013. This increase is primarily due to higher costs of settlements with mobile operators resulting from the dynamic growth of the base of Internet users and larger volume of data transferred within our broadband Internet access services.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 66.3 or 158.3%, to PLN 108.2 for the three-month period ended June 30, 2014 from PLN 41.9 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, salaries and employee-related costs increased by PLN 6.5 or 15.5%, to PLN 48.4 for the three-month period ended June 30, 2014 from PLN 41.9 for the three-month period ended June 30, 2013, as a result of higher average employment at Cyfrowy Polsat due to organic growth of business and additional costs related to the conclusion of the transaction of acquisition of shares in Metelem.

Cost of equipment sold

Cost of equipment sold increased by PLN 172.9 or 1,029.2%, to PLN 189.7 for the three-month period ended June 30, 2014 from PLN 16.8 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, the cost of equipment sold decreased by PLN 2.4 or 14.3%, to PLN 14.4 for the three-month period ended June 30, 2014 from PLN 16.8 for the three-month period ended June 30, 2013. This decrease was mainly the effect of significantly lower costs of sold equipment for the 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

The cost of debt collection services and bad debt allowance and receivables written off increased by PLN 8.8 or 94.6%, to PLN 18.1 in the second quarter of 2014 from PLN 9.3 in the second quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, the cost of debt collection services and bad debt allowance and receivables written off increased by PLN 2.8 or 30.1%, to PLN 12.1 in the second quarter of 2014 from PLN 9.3 in the second quarter of 2013.

Other costs

Other costs increased by PLN 14.1 or 48.1%, to PLN 43.4 for the three-month period ended June 30, 2014 from PLN 29.3 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, other costs decreased by PLN 0.2 or 0.7%, to PLN 29.1 for the three-month period ended June 30, 2014 from PLN 29.3 for the three-month period ended June 30, 2013. This change is mainly the 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.

Other operating income and costs, net

Other operating income, net increased by PLN 2.0 or 133.3%, to PLN 3.5 for the three-month period ended June 30, 2014 from PLN 1.5 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, other operating costs amounted to PLN 1.0 in the three-month period ended June 30, 2014, which constitutes a decrease by PLN 2.5 or 166.7% compared to other operating income net in the amount of PLN 1.5 in the three-month period ended June 30, 2013.

Gains/(losses) on investment activities, net

Net gains on investment activities increased by PLN 23.2 or 3,314.3%, to PLN 23.9 for the three-month period ended June 30, 2014 from PLN 0.7 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, net gains on investment activities increased by PLN 12.3 or 1,757.1%, to PLN 13.0 for the three-month period ended June 30, 2014 from PLN 0.7 for the three-month period ended June 30, 2013, mainly due to the recognition of profit from USD forward transactions and an increase in interest revenue.

Finance costs

Finance costs amounted to PLN 273.4 in the three-month period ended June 30, 2014 and increased by PLN 171.0, or 167.0%, compared to PLN 102.4 for the three-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, finance costs increased by PLN 24.6 or 24.1%, to PLN 127.0 for the three-month period ended June 30, 2014 from PLN 102.4 for the three month period ended June 30, 2013. This increase is the net effect of incurred bank charges in the amount of PLN 82.1 related to the premature redemption of the EUR 350 Senior Notes, issued in 2011 and lower foreign exchange losses in the second quarter of 2014 compared to the second quarter of 2013.

Net profit

Net profit increased by PLN 51.4, or 63.7%, to PLN 132.1 in the second quarter of 2014 from PLN 80.7 in the second quarter of 2013. Excluding the effect of consolidation of the results of Metelem group net profit increased by PLN 12.0, or 14.9%, to PLN 92.7 in the second quarter of 2014 from PLN 80.7 in the second quarter of 2013.

EBITDA & EBITDA margin

EBIDTA increased by PLN 451.6, or 175.5%, to PLN 708.9 in the second quarter of 2014 from PLN 257.3 in the second quarter of 2013. EBIDTA margin increased to 40.6% in the second quarter of 2014 from 35.0% in the second quarter of 2013. Excluding the effect of consolidation of the results of Metelem group EBIDTA increased by PLN 21.3, or 8.3%, to PLN 278.6 in the second quarter of 2014 from PLN 257.3 in the second quarter of 2013. EBIDTA margin remained at a practically unchanged level of 35.1% in the second quarter of 2014.

Employment

The average number of employees in Cyfrowy Polsat Group was 4,199 in the three-month period ended June 30, 2014, as compared to 1,466 in the corresponding period of 2013. The increase in employment was due to the acquisition of Metelem and its subsidiaries, Polkomtel in particular, in the second quarter of 2014.

11.1.2. Comparison of financial results for the 6-month period ended June 30, 2014 with the results for the corresponding period of 2013

Revenue

Our total revenue increased by PLN 1,036.2 or 72.3%, to PLN 2,469.2 for the first half of 2014 from PLN 1,433.0 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, our total revenue increased by PLN 83.3 or 5.8%, to PLN 1,516.3 for the first half of 2014 from PLN 1,433.0 for the first half of 2013. Revenue grew for the reasons set forth below.

	results including Metelem group	results excluding Metelem group			
	for the 6-month period ended June 30, 2014	for the 6 month period ended June 30, 2014		change	
		2014	2013	[mPLN]	[%]
Retail revenue	1,672.3	938.9	903.6	35.3	3.9%
Wholesale revenue	721.3	546.2	489.1	57.1	11.7%
Sale of equipment	63.3	20.7	24.9	(4.2)	(16.9%)
Other revenue	12.3	10.5	15.4	(4.9)	(31.8%)
Revenue	**2,469.2**	**1,516.3**	**1,433.0**	**83.3**	**5.8%**

Retail revenue

Retail revenue increased by PLN 768.7 or 85.1%, to PLN 1,672.3 for the first half of 2014 from PLN 903.6 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, retail revenue increased by PLN 35.3 or 3.9%, to PLN 938.9 for the first half of 2014 from PLN 903.6 for the first half of 2013. This increase primarily resulted from an increase in DTH subscription fee revenue and an increase in revenue from telecommunication services as well as increased data usage within our broadband Internet service.

Wholesale revenue

Wholesale revenue increased by PLN 232.2 or 47.5%, to PLN 721.3 for the first half of 2014 from PLN 489.1 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, wholesale revenue increased by PLN 57.1 or 11.7%, to PLN 546.2 for the first half of 2014 from PLN 489.1 for the first half of 2013. This increase is the net effect of significantly better advertising revenue generated by Telewizja Polsat compared to the growth dynamics of the television advertising market as well as the recognition in the second quarter of 2014 of revenue generated by the channels TV4 and TV6 (consolidated since September 1, 2013) and lower revenue from broadcasting and signal transmission services as a consequence of the sale of RS TV S.A. in August 2013.

Sale of equipment

Revenue from the sale of equipment increased by PLN 38.4 or 154.2%, to PLN 63.3 for the first half of 2014 from PLN 24.9 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, revenue from the sale of equipment decreased by PLN 4.2 or 16.9%, to PLN 20.7 for the first half of 2014 from PLN 24.9 for the first half of 2013. This decrease is the net effect of a significant decrease in sales of devices for the reception of Mobile TV in DVB-T technology and increased revenue from sales of laptops, tablets and routers.

Other revenue

Other revenue decreased by PLN 3.1 or 20.1%, to PLN 12.3 for the first half 2014 from PLN 15.4 for the first half 2013. Excluding the effect of consolidation of the results of Metelem group, other revenue decreased by PLN 4.9 or 31.8%, to PLN 10.5 for the first half 2014 from PLN 15.4 for the first half 2013, i.a. due to a decrease in revenue from the lease of premises and equipment as a consequence of the sale of RS TV S.A. in August 2013.

Operating costs

Our total operating costs increased by PLN 803.9 or 76.2%, to PLN 1,859.2 for the first half of 2014 from PLN 1,055.3 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, our total operating costs increased by

PLN 31.1 or 2.9%, to PLN 1,086.4 for the first half of 2014 from PLN 1,055.3 for the first half of 2013. Revenue grew for the reasons set forth below.

	results including Metelem group	results excluding Metelem group			
	for the 6-month period ended June 30, 2014	for the 6 month period ended June 30, 2014		change	
		2014	2013	[mPLN]	[%]
Content costs	471.5	470.1	446.9	23.2	5.2%
Distribution, marketing, customer relation management and retention costs	207.6	151.5	160.3	(8.8)	(5.5%)
Depreciation, amortization, impairment and disposal	373.8	128.0	123.0	5.0	4.1%
Technical costs and cost of settlements with mobile network operators	359.3	145.2	122.7	22.5	18.3%
Salaries and employee-related costs	152.8	93.0	85.0	8.0	9.4%
Cost of equipment sold	200.0	24.7	42.7	(18.0)	(42.2%)
Cost of debt collection services and bad debt allowance and receivables written off	24.8	18.9	15.7	3.2	20.4%
Other costs	69.4	55.0	59.0	(4.0)	(6.8%)
Operating costs	**1,859.2**	**1,086.4**	**1,055.3**	**31.1**	**2.9%**

Content costs

Content costs increased by PLN 24.6 or 5.5%, to PLN 471.5 for the first half of 2014 from PLN 446.9 for first half of 2013. Excluding the effect of consolidation of the results of Metelem group, content costs increased by PLN 23.2 or 5.2%, to PLN 470.1 for the first half of 2014 from PLN 446.9 for the first half of 2013. This increase is the net effect of: (i) higher internal production costs for our main channel POLSAT, related to new positions in the programming schedule and actions aimed at increasing the attractiveness of the content offered by us, (ii) accounting for internal production costs of TV4 and TV6 channels, (iii) lower average cost of film broadcasting on our main channel POLSAT, and (iv) higher costs of programming licenses, which directly contribute to improving the quality of our pay TV packages.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 47.3 or 29.5%, to PLN 207.6 for the first half of 2014 from PLN 160.3 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, distribution, marketing, customer relation management and retention costs decreased by PLN 8.8 or 5.5%, to PLN 151.5 for the first half of 2014 from PLN 160.3 for the first half of 2013. This decrease was due, among other things, to increased efficiency of distribution and allocation of advertising budgets as well as effective cost control in the area of customer relations and retention.

Depreciation, amortization, impairment and disposal

Depreciation, amortization, impairment and disposal costs increased by PLN 250.8 or 203.9%, to PLN 373.8 for the first half of 2014 from PLN 123.0 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, depreciation, amortization, impairment and disposal costs increased by PLN 5.0 or 4.1%, to PLN 128.0 for the first half of 2014 from PLN 123.0for the first half of 2013, i.a. due to the dynamic migration of our satellite platform customers to the MPEG4 technology, which requires the substitution of SD set-top boxes with HD set-top boxes.

The presented amortization costs exclude the costs of amortization of the trademark Plus. As at the date of this report neither the value nor the life-time of this trademark was determined. The cost of amortization of the Plus trademark will be accrued from the moment of purchase (i.e. from May 7, 2014) in the quarter, when the Company determines the value and life-time of this trademark.

Technical costs and cost of settlements with mobile network operators

Technical costs and cost of settlements with mobile network operators increased by PLN 236.6 or 192.8%, to PLN 359.3 for the first half of 2014 from PLN 122.7 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, technical costs and cost of settlements increased by PLN 22.5 or 18.3%, to PLN 145.2 for the first half of 2014 from PLN 122.7 for the first half of 2013. This increase is due to higher costs of settlements with mobile operators resulting from the dynamic growth of the base of Internet users and larger volume of data transferred within our broadband Internet access services as well as costs of lease of additional capacity on satellite transponders and increased costs of digital broadcasting of our channels TV4 and TV6.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 67.8 or 79.8%, to PLN 152.8 for the first half of 2014 from PLN 85.0 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, salaries and employee-related costs increased by PLN 8.0 or 9.4%, to PLN 93.0 for the first half of 2014 from PLN 85.0 for the first half of 2013 as a result of higher average employment at Cyfrowy Polsat due to organic growth of business and additional costs related to the conclusion of the transaction of acquisition of shares in Metelem.

Cost of equipment sold

Cost of equipment sold increased by PLN 157.3 or 368.4%, to PLN 200.0 for the first half of 2014 from PLN 42.7 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, the cost of equipment sold decreased by PLN 18.0 or 42.2%, to PLN 24.7 for the first half of 2014 from PLN 42.7 for the first half of 2013. This decrease was mainly the effect of significantly lower costs of sold equipment for the 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

The cost of debt collection services and bad debt allowance and receivables written off increased by PLN 9.1 or 58.0%, to PLN 24.8 for the first half of 2014 from PLN 15.7 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, the cost of debt collection services and bad debt allowance and receivables written off increased by PLN 3.2 or 20.4%, to PLN 18.9 for the first half of 2014 from PLN 15.7 for the first half of 2013.

Other costs

Other costs increased by PLN 10.4 or 17.6%, to PLN 69.4 for the first half of 2014 from PLN 59.0 for the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, other costs decreased by PLN 4.0 or 6.8%, to PLN 55.0 for the first half of 2014 from PLN 59.0 for the first half of 2013. This change is mainly the 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.

Other operating income/costs, net

Other operating income, net increased by PLN 5.1 or 255.0%, to PLN 7.1 for the six-month period ended June 30, 2014 from PLN 2.0 for the six-month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, other operating income net increased by PLN 0.7, or 35.0%, to PLN 2.7 in the first half of 2014 from PLN 2.0 in the first half of 2013.

Gains/(losses) on investment activities, net

Net gains on investment activities increased by PLN 20.5 or 445.6%, to PLN 25.1 in the first half of 2014 from PLN 4.6 in the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, net gains on investment activities increased by PLN 9.6 or 208.7%, to PLN 14.2 in the first half of 2014 from PLN 4.6 in the first half of 2013, mainly due to the recognition of profit from USD forward transactions and an increase in interest revenue.

Finance costs

Finance costs amounted to PLN 382.1 in the first half of 2014 and increased by PLN 199.6, or 109.4%, compared to PLN 182.5 in the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, finance costs increased by PLN 53.3 or 29.9%, to PLN 235.8 in the first half of 2014 from PLN 182.5 in the first half of 2013. This increase is the net effect of: (i) incurred bank charges, paid in the first half of 2014, in the amount of PLN 82.1 related to the premature redemption of the EUR 350 million Senior Notes, issued in 2011; (ii) higher interest costs on the Term Loan under the Senior

Facilities Agreement concluded in April 2014; (iii) lower interest costs on our previous term loan granted under the Senior Facilities Agreement concluded in 2011 due to lower principal pursuant to the schedule, pre-payments and premature repayment of the debt, and (iv) recognition of lower foreign exchange losses related to the valuation of Senior Notes in the first half of 2014 compared to the corresponding period of 2013.

Net profit

Net profit increased by PLN 54.4, or 30.9%, to PLN 230.3 in the first half of 2014 from PLN 175.9 in the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, net profit increased by PLN 15.0, or 8.5%, to PLN 190.9 in the first half of 2014 from PLN 175.9 in the first half of 2013.

EBITDA & EBITDA margin

EBITDA increased by PLN 488.2, or 97.1%, to PLN 990.9 in the first half of 2014 from PLN 502.7 in the first half of 2013. EBITDA margin increased to 40.1% in the first half of 2014 from 35.1% in the first half of 2013. Excluding the effect of consolidation of the results of Metelem group, EBITDA increased by PLN 57.8, or 11.5%, to PLN 560.5 in the first half of 2014 from PLN 502.7 in the first half of 2013. EBITDA margin increased to 37.0% in the first half of 2014 from 35.1% in the first half of 2013.

Employment

The average number of employees in Cyfrowy Polsat Group was 2,873 in the six-month period ended June 30, 2014, as compared to 1,466 in the corresponding period of 2013. The increase in employment was due to the acquisition of Metelem and its subsidiaries, Polkomtel in particular, in the first half of 2014.

11.1.3. Operating segments

The Group operates in the following two segments:

- segment of services to individual and business customers 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,
- 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.

Our segment of services to individual and business customers 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 services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services
- 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 6 months ended 30 June 2014:

The 6 months ended June 30, 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,936.4	532.8	-	2,469.2
Inter-segment revenues	15.4	58.6	(74.0)	-
Revenues	**1,951.8**	**591.4**	**(74.0)**	**2,469.2**
EBITDA (unaudited)	**773.8**	**217.1**	**-**	**990.9**
Depreciation, amortization, impairment and disposal	355.9	17.9	-	373.8
Profit/(loss) from operating activities	**417.9**	**199.2**	**-**	**617.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	181.3*	23.9	-	205.2
Balance as at 30 June 2014 (unaudited)				
Assets, including:	23,744.5	4,202.0**	(119.4)***	27,827.1
Investments in jointly controlled entity	-	1.9	-	1.9

* This item also includes the acquisition of reception equipment for operating lease purposes.
**This item includes non-current assets located outside of Poland in the amount of PLN 73.1 million (not in thousands).
*** This item includes mainly dividend receivable from Telewizja Polsat Sp. z o.o. of PLN 75.0.

All material revenues are generated in Poland.

It should be noted that the 6 months ended June 30, 2014 is not comparable to the 6 months ended June 30, 2013 as Polskie Media was acquired and RS TV S.A. was disposed on August 30, 2013 (both allocated to the Broadcasting and television production segment) and Metelem Holding Company Limited was acquired on May 7, 2014 (allocated to the Services to individual and business customers 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 6 months ended 30 June 2013:

The 6 months ended June 30, 2013 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	950.3	482.7	-	1,433.0
Inter-segment revenues	12.4	50.0	(62.4)	-
Revenues	**962.7**	**532.7**	**(62.4)**	**1,433.0**
EBITDA (unaudited)	**324.2**	**178.5**	**-**	**502.7**
Depreciation, amortization, impairment and disposal	107.1	15.9	-	123.0
Profit/(loss) from operating activities	**217.1**	**162.6**	**-**	**379.7**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	134.8*	10.7	-	145.5
Balance as at 30 June 2013 (unaudited)				
Assets, including:	1,743.2	4,065.4**	(215.9)***	5,592.7
Investments in jointly controlled entity	-	1.8	-	1.8

*This item also includes the acquisition of reception equipment for operating lease purposes.
** includes non-current assets located outside of Poland.
*** Includes mainly dividend receivable from Telewizja Polsat Sp. z o.o.

Reconciliation of EBITDA and net profit for the period:

	for the 6 months ended	
	June 30, 2014 unaudited	June 30, 2013 unaudited
EBITDA (unaudited)	**990.9**	**502.7**
Depreciation, amortization, impairment and disposal	(373.8)	(123.0)
Profit from operating activities	**617.1**	**379.7**
Other foreign exchange rate differences, net	4.6	0.2
Interest income	19.7	6.2
Share of the profit of jointly controlled entity accounted for using the equity method	1.3	1.6
Interest costs	(278.0)	(99.8)
Foreign exchange differences on issued bonds	(15.5)	(82.3)
Early redemption costs	(82.1)	-
Other	(5.7)	(2.2)
Gross profit for the period	**261.4**	**203.4**
Income tax	(31.1)	(27.5)
Net profit for the period	**230.3**	**175.9**

11.2. Balance sheet analysis

As at June 30, 2014 and December 31, 2013, our balance sheet amount was PLN 27,827.1 and PLN 5,676.2 respectively.

Assets

As at June 30, 2014 and December 31, 2013, our non-current assets were PLN 23,391.8 and PLN 4,455.8, respectively, and accounted for 84.1% and 78.5% of the total assets respectively.

The value of reception equipment amounted to PLN 384.8 as at June 30, 2014 and decreased by PLN 22.8, or 5.6%, compared to PLN 407.6 as at December 31, 2013.

The value of other property, plant and equipment amounted to PLN 3,010.6 as at June 30, 2014 compared to PLN 251.1 as at December 31, 2013, which constitutes an increase of PLN 2,759.5. Excluding the effect of consolidation of Metelem group, the value of other property, plant and equipment increased by PLN 6.5, or 2.6%, to PLN 257.6 as at June 30, 2014 from PLN 251.1 as at December 31, 2013, mainly as a result of the increase in value of property, plant and equipment in TV Polsat Group.

The value of goodwill increased to PLN 9,132.7, or 350.9%, to PLN 11,735.5 as at June 30, 2014 from PLN 2,602.8 as at December 31, 2013, as a result of the acquisition of shares in Metelem. During the initial process of purchase price allocation, as at May 7, 2014 net liabilities were identified in the amount PLN 3,1174.9, while the purchase price amounted to PLN 5,957.8.

The value of customer relationships amounted to PLN 4,482.0 as at June 30, 2014 compared to PLN 0 as at December 31, 2013. The key component of this position are relationships with individual and business customers, which include contract customers who have signed long-term agreements with the operator as well as prepaid customers.

As at June 30, 2014, the value of brands was PLN 890.8 and remained unchanged compared to the balance as at December 31, 2013. As at June 30, 2014 the value of the Plus brand had not been determined.

The value of other intangible assets amounted to PLN 2,360.6 as at June 30, 2014 which constitutes an increase of PLN 2,223.2 compared to PLN 137.4 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of other intangible assets amounted to PLN 137.7 as at June 30, 2014 and remained at a relatively unchanged level compared to the balance as at December 31, 2013.

The value of non-current and current programming assets increased by PLN 74.3, or 29.4%, to 327.2 as at June 30, 2014 from PLN 252.9 as at December 31, 2013. The increase was mainly due to the purchase of sports and film rights.

Investment property amounted to PLN 5.3 as at June 30, 2014 and remained almost unchanged compared to the balance as at December 31, 2013. This position concerns investment property belonging to TV Polsat only.

The value of non-current and current deferred distribution fees increased by PLN 37.8, or by 38.0%, to PLN 137.4 as at June 30, 2014 from PLN 99.6 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of non-current and current deferred distribution fees as at June 30, 2014 remained at an almost unchanged level compared to the balance as at December 31, 2013.

The value of other non-current assets amounted to PLN 107.4 as at June 30, 2014 and increased by PLN 86.6, or 416.3%, compared to PLN 20.8 as at December 31, 2013, mainly as a result of the consolidation of Metelem group and concerns primarily receivables from hire purchase of telecommunication equipment.

The value of deferred tax assets amounted to PLN 240.5 as at June 30, 2014, which constitutes an increase of PLN 201.6 compared to PLN 38.9 as at December 31, 2013. This increase is primarily the result of recognition of deferred tax on the valuation to fair value of the PLK Senior Notes in connection with the acquisition of Metelem group.

As at June 30, 2014 and December 31, 2013, our current assets amounted to PLN 4,435.3 and PLN 1,220.4, respectively, and accounted for 15.9% and 21.5% of the total assets respectively.

The value of inventories was PLN 343.8 as at June 30, 2014 and increased by PLN 197.0, or 134.2%, from PLN 146.8 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of inventories increased by PLN 3.5, or 2.4%, to PLN 150.3 as at June 30, 2014 from PLN 146.8 as at December 31, 2013. The increase was mainly the net effect of a decrease in the stock of tablets, laptops and an increase in the stock of set-top boxes and reception equipment for digital terrestrial television.

The value of trade and other receivables increased by PLN 1,000.0, or 267.1%, to PLN 1,374.4 as at June 30, 2014 from PLN 374.4 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of trade and other receivables increased by PLN 93.2, or 24.9%, to PLN 467.6 as at June 30, 2014 from PLN 374.4 as at December 31, 2013. The increase resulted mainly from higher trade receivables from third parties for advertising and sponsorship, partially set off by a decrease in tax and social security receivables.

The value of other current assets amounted to PLN 221.9 as at June 30, 2014, which constitutes an increase of PLN 116.5, or 110.5%, compared to PLN 105.4 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of other current assets as at June 30, 2014 remained at a similar level compared to the balance as at December 31, 2013.

The value of short-term deposits amounted to PLN 270.0 as at June 30, 2014, while our balance sheet as at December 31, 2013 did not include this position, as is concerns exclusively Metelem group.

The value of cash and cash equivalents increased by PLN 1,564.7, or 457.2%, to PLN 1,906.9 (including restricted cash in the amount of PLN 12.6) as at June 30, 2014 from PLN 342.2 as at December 31, 2013. This increase is the result of including the cash of Metelem group in the amount of PLN 1,723.1

Equity and liabilities

Equity increased by PLN 6,090.5, or by 202.9%, to PLN 9,091.7 as at June 30, 2014 from PLN 3,001.2 as at December 31, 2013. This change is mainly the result of: (i) the increase of the share capital of the Company by PLN 11.7 by way of issue of 291,193,180 shares and the share premium adjusted by the cost of issue in the amount of PLN 5,942.4, (ii) profit generated for the period ended June 30, 2014 in the amount of PLN 230.3, (iii) dividend payment in the amount of PLN 102.9, and (iv) termination of a hedging relation in the amount of PLN 9.0.

Loans and borrowings (long and short term) increased by PLN 9,054.5 to PLN 9,540.4 as at June 30, 2014 from PLN 485.9 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of long and short-term loans and borrowings increased by PLN 2,247.5 to PLN 2,733.4 as at June 30, 2014 from PLN 485.9 as at December 31, 2013, mainly due to the new Term Loan granted pursuant to the Senior Facilities Agreement of April 11, 2014, which was mainly compensated by the repayment of debt under the term loan of 2011.

Senior Notes liabilities (long and short-term) increased by PLN 3,280.1 or by 228.0%, to PLN 4,718.8 as at June 30, 2014 from PLN 1,438.7 as at December 31, 2013 primarily due to the take-over of Metelem group's liabilities under Senior Notes agreements. Concurrently, Senior Notes issued in 2011 and PIK Notes were redeemed in the analyzed period.

Finance lease liabilities (long and short-term) increased by PLN 9.4 to PLN 9.8 as at June 30, 2014 from PLN 0.4 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, finance lease liabilities (long and short-term) amounted to PLN 0.3 as at June 30, 2014 and remained at a relatively unchanged level compared to the balance as at December 31, 2013.

UMTS license liabilities (long and short-term) amounted to PLN 951.6 as at June 30, 2014 compared to PLN 0 as at December 31, 2013. This item applies only to Metelem group. .

Deferred income tax liabilities increased by PLN 902.6 to PLN 1,010.7 as at June 30, 2014 from PLN 108.1 as at December 31, 2013, primarily due to the consolidation of Metelem group and concerned mainly deferred income tax liabilities resulting from including the item Polkomtel's Customer relationships in the Groups balance sheet.

Income tax liabilities increased by PLN 39.2 to PLN 43.7 as at June 30, 2014 from PLN 4.5 as at December 31, 2013, mainly as a result of the acquisition of Metelem group.

Non-current and current deferred income increased by PLN 467.2, or by 218.7%, to PLN 680.8 as at June 30, 2014 from PLN 213.6 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, non-current and current deferred income increased by PLN 15.8, or by 7.4%, to PLN 229.4 as at June 30, 2014 from PLN 213.6 as at December 31, 2013.

The value of other non-current liabilities and provisions amounted to PLN 158.2 as at June 30, 2014, which constitutes an increase of PLN 150.3 compared to PLN 7.9 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of other non-current liabilities and provisions increased by PLN 2.9 to PLN 10.8 as at June 30, 2014 from PLN 7.9 as at December 31, 2013.

The value of trade and other payables amounted to PLN 1,618.8 as at June 30, 2014 which constitutes an increase of PLN 1,205.6 compared to PLN 413.2 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of trade and other payables amounted to PLN 399.4 as at June 30, 2014 and remained at a relatively unchanged level compared to the balance as at December 31, 2013.

The value of short-term deposits for equipment amounted to PLN 2.6 as at June 30, 2014 and remained at a relatively unchanged level compared to the balance as at December 31, 2013.

11.3. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the six month period ended June 30, 2014 as well as the six month period ended June 30, 2013. All data is expressed in millions PLN.

	Data including group Metelem for the 6-month period ended June 30		Data excluding group Metelem for the 6-month period ended June 30	
	2014	2013	2014	2013
Net cash from operating activities	649.6	331.7	312.2	331.7
Net cash from/(used in) investing activities	1,394.1	(58.4)	(945.4)	(58.4)
Net cash from/(used in) financing activities	(478.3)	(278.4)	474.7	(278.4)
Net increase in cash and cash equivalents	1,565.4	(5.1)	(158.5)	(5.1)

11.3.1. Net cash from operating activities

Net cash from operating activities amounted PLN 649.6 in the six month period ended June 30, 2014 resulting mainly from the generated net profit of PLN 230.3 adjusted by various elements, including primarily: (i) costs of depreciation, amortization, impairment and disposal; (ii) interest expense; (iii) payments for film licenses and sport broadcasting rights; (iv) amortization of film licenses and sport rights; (v) a decrease in liabilities, provisions and deferred income; (vi) net increase in set-top boxes provided under operating lease; (vii) increase in inventory; (viii) income tax; and (ix) increase in receivables and other assets.

Excluding the effect of consolidation of Metelem group, net cash from operating activities amounted PLN 312.2 in the six month period ended June 30, 2014 and decreased by PLN 19.5 compared to the net cash from operating activities generated in the first half of 2013. Net cash in the analyzed period is mainly the result of generated net profit in the amount of PLN 190.9 adjusted by various elements, including primarily: (i) an increase in receivables and other assets; (ii) an increase in liabilities, provisions and deferred income; (iii) costs related to foreign exchange differences; (iv) income tax paid; (v) interest expense; (vi) payments for film licenses and sport broadcasting rights, (vii) amortization of film licenses and sport rights; and (viii) increases of the net value of set-top boxes provided under operating lease.

Net cash from operating activities amounted to PLN 331.7 in the first half of 2013 and resulted mainly from the generated net profit of PLN 175.9 adjusted by various elements including primarily: (i) depreciation, amortization, impairment and disposal; (ii) interest expense; (iii) income tax; (iv) payments for film licenses and sport broadcasting rights; (v) amortization of film licenses and sport rights; (iv) a net increase in set-top boxes provided under operating lease; (vii) net loss on foreign exchange; and (viii) a decrease in liabilities, provisions and deferred income.

11.3.2. Net cash from/(used in) investing activities

Net cash from investing activities amounted to PLN 1,394.1 in the six month period ended June 30, 2014 and comprises primarily cash in the amount of PLN 1,800.6 accounted for following the acquisition of Metelem, adjusted by short-term deposits in the amount of PLN 270.0 and expenditure on the purchase of property, plant and equipment as well as intangible assets

Excluding the effect of consolidation of Metelem group, net cash from investing activities amounted to PLN 945,4 in the six month period ended June 30, 2014 and concerned mainly the increase in the share capital of Metelem (in the amount of PLN 883.7), expenditure on the purchase of property, plant and equipment (in the amount of PLN 41.1) and intangible assets (in the amount of PLN 28.4).

Net cash used in investing activities amounted to PLN 58.4 in the first half of 2013 and consisted primarily of the purchase of property, plant and equipment and acquisition of intangible assets.

11.3.3. Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 478.3 in the first half of 2014 and primarily resulted from: (i) the Term Loan granted pursuant to the Senior Facilities Agreement of April 11, 2014; (ii) the redemption of the Senior Notes issued in

2011; (iii) the repayment of term loan granted under the Senior Facilities Agreement of 2011; (iv) the redemption of the PIK Notes; (v) dividend payment; and (vi) payment of interest on loans, bonds, Cash Pool, financial leasing and paid fees.

Excluding the effect of consolidation of Metelem group, the balance of cash used in financing activities amounted to PLN 474.7 in the first half of 2014 and primarily due to: (i) cash obtained from the Term Loan granted pursuant to the Senior Facilities Agreement of April 11, 2014; (ii) the redemption of the Senior Notes issued in 2011; (iii) the repayment of term loan granted under the Senior Facilities Agreement of 2011; (iv) dividend payment; and (v) payment of interest on loans, bonds, Cash Pool, financial leasing and paid fees.

Net cash used in financing activities amounted to PLN 278.4 in the first half of 2013 and consisted primarily of voluntary prepayment of PLN 100.0 as well as scheduled repayments of principal and interests on bank loan and payment of interests on Senior Notes.

11.3.4. Capital expenditure on the purchase of property, plant and equipment and intangible assets

In the six month period ended June 30, 2014 cash expenditures of Cyfrowy Polsat Group on the purchase of property, plant and equipment and intangible assets increased by PLN 78.6, or 128.9%, to PLN 139.6 from PLN 61.0 in the six month period ended June 30, 2013. Excluding the effect of consolidation of the results of Metelem group, our cash expenditures on the purchase of property, plant and equipment and intangible assets amounted to PLN 69.5 in the six month period ended June 30, 2014.

Cash expenditures on the purchase of property, plant and equipment and intangible assets included mainly:

- Continued extension of the LTE/HSPA+ telecommunications networks;
- Expenses related to increasing the quality, acpacity and range of mobile network services;
- Extension of our transport and core mobile networks, in order to accommodate the increasing volume of data transfer and to ensure the highest quality of services, expected by our customers;
- Migration of one of our mobile switching centers (MSC);
- Execution of investment related to the development of our offer, sales and customer service process;
- Change in the visualization of selected points of retail sale;
- Maintenance and development of IT systems;
- Development and modernization of our call center; and
- Purchase of additional equipment to meet the needs of TV Polsat.

11.4. Liquidity and capital resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. 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 also maintain 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 accessories, as well as 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, the purchase of devices for our telecommunication services customers, the costs of components of our mobile telecommunications network, the costs of international roaming and settlements related to the termination of traffic on international telecommunication networks, for the lease of certain office premises and land, on which elements of our telecommunications network are installed, license fees related to the purchase of the UMTS concession and interest payments on the PLK Senior Notes.

We believe that our cash balances and cash generated from our current operations, as well as means available within our revolving facilities (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.

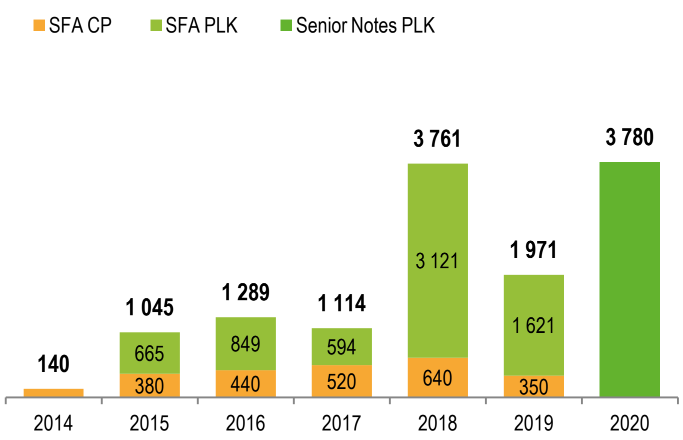
The table below presents a summary of the indebtedness of the Group as at June 30, 2014.

	Balance value [mPLN]	Nominal value [mPLN]	Coupon / interest	Maturity date
CP Term Facility (PLN)	2,433.4	2,470.0	WIBOR + margin	2019
CP Revolving Facility Loan	300.0	300.0	WIBOR + margin	2019
PLK Term Loan – Tranche A(PLN)	2,098.2	2,108.2	WIBOR + margin	2017
PLK Term Loan – Tranche B (PLN)	3,100.3	3,120.7	WIBOR + margin	2018
PLK Term Loan – Tranche C (PLN)	1,608.5	1,621.1	WIBOR + margin	2019
PLK Revolving Facility Loan	0.0	0.0	WIBOR + margin	2017
PLK Senior Notes (EUR) 1)	2,824.7	2,257.3	11.75%	2020
PLK Senior Notes (USD) 2)	1,894.1	1,523.7	11.63%	2020
Leasing	9.8	9.8	-	-
Cash and cash equivalents 3)	2,176.9	2,176.9	-	-
Net debt	**12,092.1**	**11.233,9**	-	-
EBITDA LTM, pro-forma 4)	3,967,7	3.967,7	-	-
Net debt / EBITDA 12M	**3.0**	**2,8**	-	-

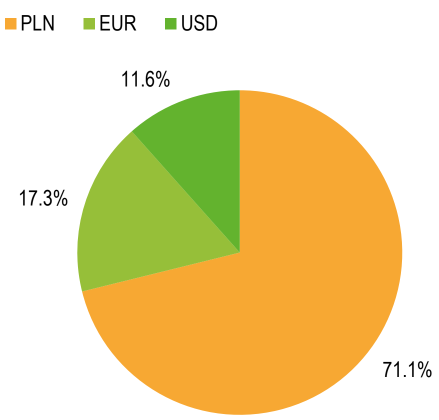
1) Equivalent of the nominal value of EUR 542.5m, translated at the average PLN/EUR foreign exchange rate of the Polish National Bank of 4.1609 as at June 30, 2014. Balance value estimated to fair value at the moment of purchase of Metelem.
2) Equivalent of the nominal value of USD 500m, translated at the average PLN/USD foreign exchange rate of the Polish National Bank of 3.0473 as at June 30, 2014. Balance value estimated to fair value at the moment of purchase of Metelem.
3) This position comprises cash and cash equivalents, including restricted cash, as well as short-term deposits.
4) EBITDA LTM, pro-forma, including the consolidated pro-forma EBITDA of Cyfrowy Polsat Group assuming the consolidation of Metelem group results over the period of the last 12 months.

The graphs below present the aging balance of the Group's debt and its currency composition, expressed in nominal values, as at June 30, 2014 (excluding the debt stemming from the Revolving Facility Loan).

Aging balance of our debt [mPLN]



Currency composition of our indebtedness



11.4.1. Senior Facilities Agreement executed by Cyfrowy Polsat

On April 11, 2014 the Company, acting as the borrower, together with Telewizja Polsat, Cyfrowy Polsat Trade Marks, Polsat License Ltd. and Polsat Media Biuro Reklamy entered into a Senior Facilities Agreement with a syndicate of Polish and foreign banks.

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

The Term Facility bears interest at a variable rate being the sum of the WIBOR rate for an 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 of the debt, the WIBOR, EURIBOR or LIBOR rate 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. The 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 Revolving Facility Loan will also be April 11, 2019.

As at June 30, 2014 we used PLN 300 from the Revolving Facility Loan.

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. A detailed description of established securities is provided in item 12.1 of this interim report.

The Term Facility and the Revolving Facility Loan were 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 financing parties; and (ii) the Indenture of May 20, 2011 concerning the issuance of debt securities and relating to Senior Secured Notes;

(ii) for repaying the whole indebtedness arising from or referred to in the PIK Notes Indenture of February 17, 2012; and

(iii) for the purpose of financing current operations of the Group.

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 February 17, 2012 relating to pay-in-kind notes PIK Notes issued by Eileme 1; and (ii) the financing of acquisitions and other distributions permitted by the Senior Facilities Agreement.

Under the terms of the Senior Facilities Agreement, if the total leverage ratio stays below the threshold defined in the agreement, the Company will have the right to contract further facilities. Terms of such further facilities will be determined each time in an additional facility accession deed executed to contract such facility, but the repayment date of the additional facility may not be shorter than six months of the final repayment of the Term Facility Loan and the Revolving Facility Loan.

The sale of all or a substantial part of the Group companies or the Group's assets will also accelerate the existing debt.

The Senior Facilities Agreement is governed by English law, and any disputes arising in connection with the agreement are to be resolved within the exclusive jurisdiction of English courts. However, the governing law clause permits creditors to instigate proceedings before any court having relevant jurisdiction.

11.4.2. PLK Senior Facilities Agreement

On June 17, 2013 Polkomtel, Eileme 2, Eileme 3, and Eileme 4 executed the PLK Senior Facilities Agreement with a consortium of Polish and international banks and financial institutions, including Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Powszechna Kasa Oszczędności Bank Polski S.A. and Powszechny Zakład Ubezpieczeń S.A.; the agreement was subsequently joined by certain subsidiaries of Polkomtel.

The PLK Senior Facilities Agreement provides for PLK Term Loans A, B and C of up to PLN 2,650, PLN 3,300 and PLN 1,700 , respectively, as well as a revolving loan facility (PLK Revolving Facility Loan) of up to PLN 300. Interest rates of the PLK Term Loans and the PLK Revolving Facility Loan are variable rates being the sum of: WIBOR rate for the respective interest periods (and in the case of the PLK Revolving Facility Loan − also EURIBOR or LIBOR, depending on the currency in which the debt under the revolving facility was contracted) and a margin. Term Loan Facility A is repayable in varying quarterly installments, starting on March 31, 2014. Term Loan Facility B and C should be repaid on June 24, 2018 and June 24, 2019, respectively. The final repayment date for Term Loan Facility A and the PLK Revolving Facility Loan is November 30, 2017. At June 30, 2014, no amounts had been drawn under the PLK Revolving Facility Loan.

The PLK Senior Facilities Agreement provides for a mandatory prepayment of the debt in the amount of: (i) 50%-75% of the funds obtained as a result of admission of specific companies' shares to trading on a regulated market (if net debt/EBITDA is equal to or greater than 2.25); (ii) 25%-75% of the generated cash flow surplus in a given financial year (if net debt/EBITDA is equal to or greater than 3.0); (iii) certain proceeds from the sale of assets in transactions in excess of PLN 50 for all transactions combined (in a given financial year of Eileme 2); and (iv) certain proceeds from insurance policies.

Furthermore, pursuant to the PLK Senior Facilities Agreement, voluntary repayment of debt under the PLK Senior Notes, if the net debt/EBITDA ratio for the preceding quarter is above 2.25:1, can only proceed concurrently with the repayment of debt under the term facilities, using exclusively the surplus cash flows which have not been allocated to the mandatory debt prepayment. The company is authorized to make voluntary prepayments in the amount of at least PLN 40.

The PLK Senior Facilities Agreement imposes on subsidiaries of Metelem, which are parties to the agreement, restrictions in respect of: (i) acquiring or subscribing for shares (or other participation units), in particular as part of mergers and acquisitions or joint-venture investments, (ii) selling or encumbering assets, (iii) issuing guarantees or sureties, (iv) advancing loans or other debt instruments, (v) significantly changing the principal business activity, (vi) incurring new debt and issuing shares, and (vii) distributing funds (including the payment of dividend, redemption or repurchase of own shares, other cash transfers, payment of certain debt and interest, payment of remuneration for management or advisory services, prepayments and other payments to related parties); and (viii) repayment of the debt under the PLK Senior Notes and amendments to the terms of the related documents.

In addition, the PLK Senior Facilities Agreement imposes additional obligations on subsidiaries of Metelem, which are parties to the agreement, such as the obligation to hedge interest rate and currency exchange risks in respect of a specific part of the debt under the PLK Senior Facilities Agreement and the PLK Senior Notes issue, the obligation to maintain specific insurance policies, or the obligation to provide intellectual property protection. Under the PLK Senior Facilities Agreement, change of control of Polkomtel, understood as the change of control within the meaning of the PLK Senior Notes Indenture, or the PIK Notes Indenture, disruption in continuity of the full control between Eileme 1 and Polkomtel, the loss of holding, under various conditions, of from 30% to 50% of the share capital of Eileme 2, or the overall number of votes at Eileme 2 shareholders meeting by Mr Zygmunt Solorz-Żak (or a person related to him), or acquisition by another entity of a greater share in the share capital, or the overall number of votes at Eileme 2 shareholders meeting, will result in the debt under the PLK Senior Facilities Agreement, including the accruing interest, becoming immediately due and payable. The sale of all or a substantial part of Metelem's subsidiaries or assets of Metelem or its subsidiaries will also result in the necessity of immediate repayment of the existing debt.

Metelem and its subsidiaries issued guarantees and established a number of encumbrances over assets belonging to Metelem and its subsidiaries in favor of the Security Agent of the PLK Senior Facilities Agreement in order to secure the repayment of claims under the PLK Senior Facilities Agreement (for a detailed description of established securities see point 12.2 of this interim report).

The PLK Senior Facilities Agreement is governed by English law, and any disputes arising in connection with the agreement are resolved within the exclusive jurisdiction of English courts. However, the governing law clause permits creditors to instigate proceedings before any court having relevant jurisdiction.

11.4.3. PLK Senior Notes

On January 26, 2012 Eileme 2, Eileme 3, Eileme 4, Spartan (whose legal successor is Polkomtel), Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, Citigroup Global Markets Deutschland AG, executed the Indenture on the issue of senior notes by Eileme 2 for a total nominal amount of EUR 542.5 and USD 500, maturing in 2020, subsequently joined by selected Polkomtel subsidiaries ("PLK Senior Notes Indenture").

On or after January 31, 2016, Eileme 2 AB publ may redeem all or a part of the Senior Notes EURO and/or Senior Notes USD at the redemption price (expressed as percentages of principal amount) set out below plus accrued and unpaid interest on the notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on January 31 of the years indicated below, subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date: (i) in 2016 the redemption price is 105.875% for Senior Notes EURO and 105.813% for Senior Notes USD, (ii) in 2017 the redemption price is 102.938% for Senior Notes EURO and 102.906% for Senior Notes USD and (iii) thereafter the redemption price is 100.000% both for Senior Notes EURO and Senior Notes USD. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the notes (or portions thereof) called for redemption on the applicable redemption date.

Pursuant to the PLK Senior Notes Indenture, the interest on the PLK Senior Notes accrues on the assumption that a year is 360 days, or 12 months of 30 days each. The interest on the PLK Senior Notes is 11.75% (EUR tranche) and 11.625% (USD tranche) per year, paid semi-annually, in arrears, on January 31 and July 31.

To hedge future cash flows on scheduled interest payments under EUR-denominated PLK Senior Notes, Metelem and its subsidiaries executed cross currency interest rate swap (CIRS) and forward transactions.

The PLK Notes Indentures restrict i.a. the right of Eileme 1 and Eileme 2 (and their subsidiaries covered by the restriction) to: (i) contract additional debt; (ii) make certain reserved payments (e.g. payments in favor of related parties as dividend or for repurchase of their shares); (iii) transfer or sell assets; (iv) execute transactions with related parties; (v) establish certain encumbrances or take actions which could materially and adversely affect the security established in favor of the PLK Senior Notes holders; (vi) impose restrictions on the right to pay the dividend, and make other payments by subsidiaries covered by the restriction; (vii) issue guarantees by subsidiaries covered by the restriction; (viii) combine with other entities.

In addition, under the PLK Senior Notes Indenture, additional obligations are binding on Eileme 2 (and its subsidiaries covered by the restriction), i.a. regarding the maintenance of corporate existence, and maintenance of the PLK Senior Notes listing on the Luxembourg Stock Exchange.

In the event of change of control (as defined in the agreement), Eileme 2 is required to make a repurchase offer for all PLK Senior Notes on the terms set forth in the PLK Senior Notes Indenture. In the event of change of control Eileme 2 will offer cash payment equal to 101% of the total nominal amount of the repurchased PLK Senior Notes, inclusive of interest, due but not paid until the repurchase date, on the repurchased PLK Senior Notes (subject to the rights of the PLK Senior Notes holders, inuring to them at the date of determining those rights, to receive interest at the relevant interest payment date).

Metelem and its subsidiaries issued guarantees and established a number of encumbrances over their assets in favor of the Security Agent of the PLK Senior Notes Indenture in order to secure the repayment of claims under the PLK Senior Notes Indenture (for a detailed description of established securities see point 12.2 below).

The PLK Senior Notes are listed on the Luxembourg Stock Exchange.

The PLK Senior Notes and the PLK Senior Notes Indenture are governed by the law of the state of New York in the United States of America, while any disputes arising in connection with the agreement or the PLK Senior Notes are resolved within the non-exclusive jurisdiction of the courts in Manhattan, New York

11.4.4. Contractual obligations

Contractual commitments to purchase programming assets

As at June 30, 2014 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2014 (unaudited)	31 December 2013
within one year	155.4	190.3
between 1 to 5 years	80.8	80.5
Total	**236.2**	**270.8**

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

	30 June 2014 (unaudited)	31 December 2013
within one year	5.3	18.2
Total	**5.3**	**18.2**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 139.9 as at June 30, 2014 (PLN 5.4 as at December 31, 2013). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at June 30, 2014 was PLN 51.5 (PLN 26.8 as at December 31, 2013).

11.4.5. Off-balance sheet liabilities

11.4.6. Ratings

The table below presents a summary of ratings assigned to certain companies of our Capital Group as at the date of publication of this interim report.

	Moody's Investor Services			Standard & Poor's Rating Services		
	Rating / perspective	Previous rating/ perspective	Update	Rating / perspective	Previous rating/ perspective	Update
CYFROWY POLSAT						
Corporate rating	Ba3 /stable	Ba2/stable	13.05.2014	BB/stable	BB/stable	29.04.2014
Term Facility Revolving Facility Loan	-	-	-	BB/stable	-	29.04.2014
METELEM						
Corporate rating	-	-	-	BB/stable	BB-/stable	30.04.2014
EILEME 2						
Corporate rating	Ba3/stable	B1/stable (1)	13.05.2014	-	-	-
PLK Senior Notes (EUR 542.2m)	B2/stable	B3/stable	13.05.2014	B+/ stable	B/ stable	30.04.2014
PLK Senior Notes (USD 500m)	B2/stable	B3/stable	13.05.2014	B+/ stable	B/ stable	30.04.2014

12. Information on guarantees granted by the Company or subsidiaries

12.1. Securities related to the Senior Facilities Agreement executed by Cyfrowy Polsat

In the first half of 2014 a number of encumbrances over assets of the Group were established by the Group companies in favor of UniCredit Bank AG, London Branch, acting as Security Agent, to secure the repayment of claims under the Senior Facilities Agreement of April 11, 2014.

(i) registered pledges over variable collections of movable property and rights comprised in enterprises of the Company, Cyfrowy Polsat Trade Marks, Polsat Media Biuro Reklamy and Telewizja Polsat;

(ii) financial and registered pledges on shares of Metelem, governed by Cypriot law, as well as on shares of Cyfrowy Polsat Trade Marks and Telewizja Polsat, governed by Polish law, with power of proxy to exercise corporate rights attached to shares in those companies;

(iii) financial and registered pledges over receivables under bank account agreements of the Company, Cyfrowy Polsat Trade Marks, Polsat Media Biuro Reklamy and Telewizja Polsat, governed by Polish law;

(iv) powers of attorney to bank accounts of the Company, Cyfrowy Polsat Trade Marks, Polsat Media Biuro Reklamy and Telewizja Polsat, 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 by way of security of property rights in Polsat Media Biuro Reklamy, governed by Polish law;

(vii) joint contractual mortgage under the Polish law on real properties owned by the Company;

(viii) assignment by way of security of receivables under hedging agreements payable to the Company, governed by English law;

(ix) assignment by way of security of rights under insurance of the assets referred to in item (i) and (vii) above;

(x) pledge over shares in Polsat Licence Ltd., governed by Swiss law;

(xi) assignment by way of security of (a) receivables due from various debtors; (b) receivables and rights under bank account agreements; and (c) rights under insurance contracts for the benefit of Polsat License Ltd, governed by Swiss law;

(xii) assignment by way of security of receivables under the licence agreement executed by Polsat Brands (einfache Gesellschaft) and Polsat License Ltd., and rights under bank account agreements, governed by Swiss law;

(xiii) pledge over rights attached to the shares and property rights in Polsat Brands (einfache Gesellschaft), governed by Swiss law; and

(xiv) representations on submission to enforcement under a notarial deed, made by the Company, Cyfrowy Polsat Trade Marks, Polsat Media Biuro Reklamy and Telewizja Polsat, governed by Polish law;

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

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

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

12.2. Securities related to the PLK Senior Facilities Agreement and PLK Senior Notes

A number of encumbrances over assets of Metelem and its subsidiaries were established by Polkomtel and its related parties in favor of Citicorp Trustee Company Limited, acting as security agent, to secure the repayment of debt under the PLK Facilities Agreement and the PLK Senior Notes. The following security over assets of Metelem and its subsidiaries was established as at the date of publication of this interim report:

(i) financial and registered pledges over shares of Polkomtel, Polkomtel Business Development, Nordisk Polska, Plus TM Group, Plus TM Management and shares of Liberty Direct S.A. and Plus TM Group SKA, governed by Polish laws;

(ii) pledges over shares of LTE Holdings, Polkomtel Finance, Eileme 2, Eileme 3 and Eileme 4, governed by the laws of the companies' respective jurisdictions;

(iii) registered pledges over various objects and rights comprising corporate assets of the following companies: Polkomtel, Plus TM Group SKA, Plus TM Group and Plus TM Management, governed by Polish laws;

(iv) registered pledges and civil-law pledges over rights to trademarks owned by Plus TM Group SKA, governed by Polish laws;

(v) financial pledges and registered pledges over receivables under bank account agreements of the following companies: Polkomtel, Eileme 3, Eileme 4, Plus TM Group SKA, Plus TM Group, Plus TM Management, governed by Polish laws;

(vi) pledges over receivables under bank account agreements of the following companies: Eileme 3, Eileme 4, governed by Swedish laws;

(vii) financial and registered pledges over Series D and E, as well as Series F Notes (intragroup bonds issued by Metelem subsidiaries), governed by Polish laws;

(viii) financial and registered pledges over series 1/2014 Notes, issued on July 7, 2014 by Polkomtel in favor of Plus TM Group SKA;

(ix) pledges and letters of confirmation for pledges over Eileme 2 Promissory Notes and Eileme 3 Promissory Notes (intragroup bonds issued by Metelem subsidiaries), governed by Swedish laws;

(x) authorizations to administer bank accounts of the following companies: Polkomtel, Eileme 3, Eileme 4, Plus TM Group SKA, Plus TM Group, Plus TM Management, governed by Polish laws;

(xi) assignment by way of security of receivables under insurance contracts payable to Polkomtel, governed by Polish laws;

(xii) assignment by way of security of receivables under the agreements (preliminary and main agreement) for sale of Polkomtel S.A. shares, governed by Polish laws;

(xiii) assignment by way of security of Polkomtel's rights under currency and exchange rate risk hedging agreements, governed by English laws;

(xiv) assignment by way of security of the rights of Polkomtel and LTE Holdings under the Additional LTE Agreement (agreement concluded on November 9, 2011 between Spartan (whose legal successor is Polkomtel), Ortholuck, Litenite, Eileme Companies and PLK Senior Facilities Agreement Security Agent),the agreement on the option to purchase 51% of Litenite shares, pledge over those shares, and pledge over LTE Holdings shares, governed by English laws;

(xv) assignment by way of security of Plus TM Group rights as the general partner of Plus TM Group SKA, governed by Polish laws;

(xvi) assignment by way of security of rights under licensing agreements executed by Plus TM Group SKA, governed by Polish law;

(xvii) contractual mortgage over properties owned by Polkomtel, governed by Polish laws;

(xviii) declarations by Polkomtel, Plus TM Group and Plus TM Management on compliance with enforcement action in respect of the duty to pay, governed by Polish laws;

(xix) declarations by Eileme 3 on compliance with enforcement action in respect of the duty to deliver Notes documents, governed by Polish laws;

(xx) declarations by Polkomtel on compliance with enforcement action in respect of the duty to deliver shares of Liberty S.A. and PLUS TM Group SKA, governed by Polish laws; and

(xxi) guarantees provided by Polkomtel, Eileme 3, Eileme 4, Plus TM Group SKA, Plus TM Group and Plus TM Management under the PLK Senior Facilities Agreement and the PLK Senior Notes Indenture, governed by the respective applicable laws of the financing agreements.

OTHER INFORMATION IMPORTANT FOR THE ASSESSMENT OF THE COMPANY'S PERSONNEL, ECONOMIC AND FINANCIAL POSITION, AS WELL AS FINANCIAL RESULTS

13. Material transactions concluded by the Company or its subsidiaries with related parties on conditions other than market conditions

Transactions concluded in the first half of 2014 by us or our subsidiaries with entities related to Cyfrowy Polsat Capital Group have all been concluded on market conditions and are described in Note 24 of the interim condensed consolidated financial statements for the six months ended June 30, 2014.

14. Discussion of the difference of the Company's results to published forecasts for the year

Cyfrowy Polsat did not publish any financial forecasts for this year.

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

Management believes that the provisions as at June 30, 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.

Proceedings before the Office of Competition and Consumer („UOKiK")

On February 24, 2011 the President of UOKiK imposed penalty on Polkomtel in the amount of PLN 130.7 million for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the Company had fully and at all times cooperated with UOKiK within the scope provided by the law. On June 18, 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4,0 million (i.e. EUR 1,0 million). The verdict is non-binding and may be appealed against by both parties. In management's opinion it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel.

On November 23, 2011 Polkomtel received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5 million. In management's opinion, no such agreement had been concluded between the parties. The Company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty.

On December 27, 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5 million. The Company appealed to SOKiK against the decision.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement.

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

16.1. Factors related to social-economic environment

Economic situation in Poland

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, include GDP growth, unemployment rate, changes in salaries in real terms, household consumption, and capital expenditure incurred 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.

Based on Eurostat forecasts, the recovery of economies both of Poland and other EU countries is expected in 2014 (forecasted GDP growth for Poland at 3.2% in 2014 and for EU countries at 1.6%)

We believe that average consumer spending, including spending on pay TV, mobile telephony, 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.

Situation on the pay TV market in Poland

Our revenue from subscription fees is dependent upon the number of our customers and their loyalty, pricing of our services 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. Strong competition and the evolving market environment (including consolidation processes on the satellite and cable TV market) impact promotional offerings to our new customers. 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 customers to our platform. Moreover, our proactive approach to subscriber retention contributes to maintaining a relatively low churn rate.

Development of advertising market in Poland

Part of our wholesale revenue comes from the sale of advertising airtime and sponsoring slots on TV channels.

Demand for advertising air-time is highly correlated with the 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, we believe 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 the 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 include 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 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 Group 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.

Seasonality of the telecommunication market

Although our telecommunication business is not subject to significant seasonal effects, revenue from mobile telephony tends to increase during the summer period due to increased usage of roaming services by subscribers travelling abroad. In the first quarter of the year revenue from mobile telephony tends to be lower compared to other quarters as a result of the fewer number of calendar and business days in February.

The December holiday period also has an impact on the costs level as a result of the seasonal growth in subscriber contract acquisition and retention transactions as well as an increase in our sales and marketing efforts resulting in higher costs of goods sold and external services costs, which typically lead to a seasonal decrease in fourth quarter EBITDA.

Polkomtel's capital expenditures have historically been concentrated in the fourth quarter of the year due to more intensive purchasing in that period and recognition of capital expenditures upon invoicing. It is currently uncertain whether this pattern will continue in the future.

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, as well as a broader offer of channels available via digital terrestrial television (DTT), main general entertainment channels (FTA) have experienced a decline in audience share. What is more, Starlink data suggests that the advertising market share of thematic stations and channels broadcast via terrestrial television multiplexes is consistently growing. In order to maintain total audience share and advertising market share, we have focused on developing our thematic channels portfolio.

Fixed-mobile substitution and growth of mobile broadband saturation

Substituting fixed services with their mobile counterparts is the universal trend on the telecommunication market. Number of fixed lines and revenues generated by fixed line operators have been gradually decreasing along with the growing penetration of mobile services. This phenomenon have been visible in the voice services area, but currently the fixed-mobile substitution is already visible in the area of broadband Internet access.

In Poland the fixed-mobile substitution has a larger scale than in most of the EU countries. Based on the UKE data, in 2013 the volume of voice traffic in fixed networks – which amounted to 11.5 billion minutes, was already 6.5 times lower than the voice traffic volume in mobile networks – which amounted to 75.5 billion minutes.

At the same time the availability of fixed-line broadband services is limited mainly to urban areas. Outside urban areas, fixed-line broadband services are offered only to a limited extent, which is due to historical underinvestment resulting from the high cost of build-out of local loops. According to the European Commission report "Digital Agenda Scoreboard", fixed-line networks cover less than 70% Polish households, which ranks Poland at the very end of the ranking of 31 European countries. In rural areas, the coverage is as low as 40%, which is particular important due to the fact that in Poland as many as 40% population leaves outside cities.

High preference of Poles for mobile technology combined with the low availability of fixed broadband Internet access and improving quality of mobile data transfer as a result of implementation of the LTE/HSPA+ technology in our opinion create the opportunity for dynamic growth of the value of broadband Internet market in Poland in the next years, which we intend to utilize.

Growing demand for smartphones and data transmission

Popularity and sales of smartphones in Poland has been gradually growing. Currently nearly 80% of handsets sold by us to telecommunication service subscribers are smartphones and this share is growing. At the same time, we estimate that at the end of June 2014 ca. 40% of phones used by our customers were smartphones. This disproportion shows that the smartphones' penetration among our mobile services customers will grow consistently in the next years.

Popularization of smartphones translates into growing sales of data transmission products in the segment of small screen devices. Data transmission is offered mainly under primary subscriptions and additional data packs. Customers who do not purchase a recurring data pack may use the data transmission in the so-called „pay-as-you-go" model (i.e. charged per every MB used).

We expect that the growing popularity and technological advancement of smartphones offered by manufacturers, combined with improving quality parameters of data transmission services provided in our mobile network and constantly extending offer of application and contents available for customers resulted in the growing demand for data transmission services.

16.2. Factors related to the operations of the Group

The growing importance of integrated services

Growing interest in integrated services, observed among our subscribers base, provides us with a possibility to generate growth of average revenue per user. We carefully follow the evolution of expectations of our customers and strive to meet their growing needs by combining our pay-TV, broadband Internet access and mobile television services into attractive packages.

In this context, the acquisition of Polkomtel, one of the largest mobile operators on the Polish market, is significant. The possibility to sell additional products and services (cross-selling) to current customers of Cyfrowy Polsat and Plus network has a positive impact on our revenue. Together with Polkomtel we create a unique portfolio of products which are simultaneously targeted to customers of both operators.

We strive to meet the needs of our customers by offering to every basic service a broad range of complementary services. We combine our traditional pay TV services with VOD, PPV, Multiroom, online video services and mobile television. For Internet access and mobile telephony services we offer the so-called VAS, that is value added services including, among others, infotainment, location-based, financial and insurance services.

Proper utilization of the potential in the area of provision to our customers of integrated and value added services, both through up-selling of single products and value added services as well as through the sale of integrated offers, among others under the smartDOM program, may significantly increase the number of services per individual customer, thus increasing the average revenue per user (ARPU).

Providing Internet access services in LTE technology

We provide broadband Internet access services in numerous available mobile technologies, including mainly HSPA/HSPA+ and the latest LTE technology. LTE Internet 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. In addition it has the advantage of mobility, which is 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 constitutes a significant competitive advantage and it will help us to further increase our subscribers base both of stand-alone and integrated services.

LTE network coverage 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 Polkomtel, in February 2014 LTE and HSPA/HSPA+ networks covered approximately almost 67% and almost 100% of the population of Poland, respectively.

Development of IPLA

IPLA, being the leader on online video market, strengthens our position as aggregator and distributor of content and ensures an important competitive advantage. We continue to develop the service using our experience in sales of pay TV. 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.

Integration of Cyfrowy Polsat and 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. Thanks to this combination, the attractive content and the wide range of our services will be delivered through a variety of reliable distribution channels – via satellite (DTH), within digital terrestrial television (DVB-T), through mobile technologies: 2G, 3/3.5G and LTE – to all consumer devices, from TV sets and PCs to tablets and smartphones.

The unique portfolio of services is simultaneously targeted to customers of Cyfrowy Polsat and Polkomtel. According to our estimates, in each of the ca. 6 million households, to which we address our 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 our 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 consideration the above assumptions, the transaction of the acquisition of Plus network operatorallows us to achieve significant operational synergies, the total value of which, according to our estimations, may reach up to approximately PLN 3.5 billion through the end of 2019.

Attractive content of our TV channels

We offer the biggest and most versatile portfolio of TV channels on the Polish market which ensures for us the leading position in terms of audience among private television groups in Poland, which translates into our share in the advertising market in Poland. Our direct production covers mainly news programs, documentaries, shows and series based on international formats as well as solely created concepts. Moreover, we have contracts with major film studios, such as Sony Pictures Television International, Sony Pictures Entertainment Inc., 20th Century Fox International Television, Inc., The Walt Disney Company, Warner Bros International TV Distribution or Monolith Films Sp. z o.o., which provide access to a wide selection of the most attractive films and series. We also offer a wide selection of sports transmissions, including UEFA European Championships 2016 qualifying stage, UFEA Euro 2016 final tournament, FIFA World Championships 2018 qualifying stage, volleyball games, boxing and mixed martial arts galas, Formula 1 races and many others. We believe that attractive content, including content which is not available in the offer of other pay-TV operators is a significant competitive advantage over other pay-TV operators in Poland.

16.3. Factors related to the regulatory environment

Level of Mobile Termination Rates (MTR)

Providers of publicly available telecommunications services may determine service prices at will, subject to exceptions provided for in the Telecommunications Law, including restrictions imposed by the President of UKE on telecommunications providers holding significant market power, concerning introduction of a price cap on services.

As a part of regulation of the Polish market, the President of UKE has issued numerous decisions that decreased mobile termination rates or introduced other modifications to existing interconnection agreements between telecommunications companies. In previous years, regulations of MTR rates resulted in a substantial asymmetry of those rates in favor of new market entrants and operators who have a small market share.

The current system of rates applied by all operators was established under the decision of the President of UKE dated December 14, 2012 on identifying entities with significant power over the market for services related to voice call termination to public mobile telecommunications networks, as well as on imposing, maintaining and amending regulatory obligations for mobile telephony operators. The new rules governing interconnect settlements introduced a unified (symmetrical) system of termination rates. Pursuant to the aforementioned decision, the current MTR rate for voice call termination is PLN 0.0429 per minute.

The SMS termination services market is also regulated by the President of UKE. The timeline for subsequent SMS termination rates reductions was agreed by mobile operators without the participation of the President of UKE, based on bilateral agreements executed as annexes to relevant interconnect agreements. Starting from January 1, 2011, the wholesale rate for SMS termination in a mobile telecommunications network in Poland was reduced a few times, and as of July 1, 2012 it decreased to the level of PLN 0.05 per SMS, which is the currently applicable rate.

Possible subsequent regulations of MTR's resulting from the decision of the President of UKE or reductions as a result of agreements between the operators may have an impact on the level of revenue from our telecommunication operations, at the same time however reducing the costs of these operations.

International roaming in mobile networks

International roaming rates in the EU are regulated by the Regulation of the European Parliament and the Council of the European Union. The Regulation covers retail and wholesale charges for voice (outbound and inbound calls), SMS, MMS and data roaming services, by determining average wholesale rates and maximum retail charges for the services. The Regulation will lead to further reduction of rates applied by the operators within the EU, as specified in the table below.

	Maximum retail prices (excluding VAT)		Average wholesale prices (settlements between operators)	
	from 01/07/2013 to 30/06/2014	from 01/07/2014	from 01/07/2013 to 30/06/2014	from 01/07/2014
Data transmission (1 MB)	45 euro cents	20 euro cents	15 euro cents	8 euro cents
Outbound voice calls (minute)	24 euro cents	19 euro cents	10 euro cents	5 euro cents
Inbound voice calls (minute)	7 euro cents	5 euro cents	10 euro cents	5 euro cents
SMS (1 SMS)	8 euro cents	6 euro cents	2 euro cents	2 euro cents

Under the proposal of the Telecommunications Single Market Regulation the full elimination of roaming charges within EU is envisaged, starting from the turn of 2015 and 2016. As of the date of this report there are no detailed guidelines regarding this proposal.

Reservation of frequencies

The national strategy for frequency allocation is prepared by the President of UKE, taking into account national and social needs as well as international agreements. As a rule, frequency reservation for provision of telecommunication services is granted based on the application and, whenever there are more interested parties than available frequency resources, licenses are awarded by way of a tender or auction procedure.

A frequency license may be amended or withdrawn if, among other things, the licensed entity does not fulfill its commitments under the license, alters use of the frequency band, or fails to utilize the frequency band within six months of the date of allocation or for any continuous six month period.

A frequency license is awarded for a specified term and the telecommunications operators may apply, 12 to 6 months before the expiry of the frequency license, for renewal of the frequency allocation for a further period. The President of UKE, acting in consultation with the President of UOKiK, may decide to refuse to extend frequency allocation if revocation of the frequency allocation follows from the necessity to ensure equal and effective competition or substantially better use of frequencies, especially if the extension of the allocation would lead to excessive frequency concentration at a single entity or within a single group. Pursuant to the law, the extension of the license requires a one-time payment on behalf of the national treasury.

As a result of switching off analogue television in 2013, certain frequency resources have become available under the so-called Digital Dividend. In February 2013, the President of UKE – as a result of the tender procedure – awarded the reservation of available resources from 1800 MHz band to T-Mobile and P4. The final allocation of the aforementioned frequency was done in July 2013. Furthermore, an announcement about the auction for the reservation of frequencies in 800 MHz and 2600 MHz bands was published on December, 30, 2013. On February 11, 2014 the President of UKE made a decision about cancelling the auction, and on April 4, 2013 announced starting of the next stage of consultations regarding a new auction for the reservation of the aforementioned frequency. As of the date of this report, the final terms of the auction, its exact date or list of entities interested in the auction are not known.

Consultation process on prolongation of 1800 MHz spectrum reservation

On July 23, 2014 the President of UKE submitted for public consultations a draft of a decision concerning the prolongation of the reservation of 1800 MHz spectrum for Polkomtel. Polkomtel currently uses this spectrum for providing 2G services and the validity of the current reservation for this spectrum expires on September 13, 2014.

The draft decision assumes a one-off payment of PLN 365.4 million to be paid within 14 days following the delivery of the final decision to Polkomtel. The draft decision assumes Polkomtel will be entitled to use the bandwidth over another 15 years until September 14, 2029.

As of the date of publication of this report, the consultation procedure is pending.

16.4. Financial factors

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.

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; (vi) telecommunication equipment for mobile telephony subscribers; (vii) UMTS license fees; (viii) telecommunication network equipment; (ix) selected leases of land for telecommunication network sites; (x) selected office building lease agreements; (xi) international roaming and interconnect agreements; and (xii) other trade obligations.

In addition, we may be exposed to currency risk in relation to the PLK Senior Notes, multi-currency Revolving Facility Loan and multi-currency PLK Revolving Facility Loan, since movements in the exchange rate of the euro, dollar or any other currency provided for in the PLK Senior Notes Indentures, Senior Facilities Agreement or PLK Senior Facilities Agreement against the zloty may increase the zloty-denominated amounts required to service principal and interest payments under the PLK Senior Notes, Revolving Facility Loan or PLK Revolving Facility Loan.

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.

Consolidation of Metelem Group and the Group's debt service costs

In consequence of the transaction of acquisition of shares in Metelem, the company and its capital group is consolidated within the consolidated financial statements of Cyfrowy Polsat Group from May 7, 2014. 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, we have obtained significant improvement of terms of debt financing, among others through refinancing of Cyfrowy Polsat's debt and redemption of PIK Notes.

The obligation to service substantial debt of group Metelem, in particular the debt under the PLK Senior Facilities Agreement and PLK Senior Notes, 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 our Group. The Company has already undertaken measures aimed at reducing costs 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 part "Business review of Cyfrowy Polsat S.A. Capital Group", item 8 "Significant events").

Additionally, in order to refinance the debt under the Term Loan related to the acquisition of Telewizja Polsat 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 Term Loan and PLK Term Loans have a built-in mechanism of bank margin reduction parallel to the decrease in the net debt to EBITDA ratio defined in both agreements, which means that by generating cash from operating and investing activities and by maintaining a high level of EBIDTA, we are able to decrease interest costs and payments.

RISK FACTORS

17. Risks related to market environment and economic situation

We are exposed to the effects of the regional and global economic slowdown being felt on the Polish advertising market and affecting consumer spending in Poland

The Group derives almost all of its revenue from telecommunication services customers, pay-TV customers and TV advertisers in Poland. Our revenue depends on the amount of cash our existing and potential customers can spend on entertainment, recreation and telecommunications services. If the economic conditions in Poland deteriorate, consumers may be willing to spend less on entertainment, recreation and telecommunications services, which may have an adverse effect on the number of our customers or on our customers' spending on our services. Lower consumer spending caused by economic recession may also lead existing and potential customers to choose cheaper versions of our service packages or to discontinue using the services, which in turn may have a material adverse effect on results of our operations, financial condition, and growth prospects.

Lower advertising spending in Poland may have a material adverse effect on our revenue and the growth prospects of our television production and broadcasting segment. Slower GDP growth in Poland usually negatively impacts advertising spending. Moreover, as many customers of our TV production and broadcasting segment are global companies, the global economic downturn, even if it has no direct effect on Poland or its effect on the Polish economy is not as significant as in other countries, as well as economic slowdown in Poland, may force customers to cut their advertising budgets in Poland, which will have a negative impact on the demand for advertising services in Poland. A decrease in our advertising revenue may force us to adjust the level of our costs to lower revenues. As adjustments of the cost base to market conditions are not generally sufficient to fully offset the effect of lower revenue, the consequences of such risk factors may include a reduced EBITDA margin, lower quality of our programmes, or limited number of programmes broadcast by us, both our own productions and content purchased from third parties. Any constraints on the quality or quantity of our programming may result in the loss of audience share both to our competitors and to alternative forms of entertainment and recreation, which in turn may affect the attractiveness of our offering to potential advertisers and sponsors.

Worsening of the macroeconomic conditions across the world, as well as possible uncertainty regarding the future economic situation, may have, among others a negative impact on the Group’s ability to acquire sufficient financing on the global capital markets.

In view of the above, the worsening of macroeconomic conditions in Poland or across the world may, as a result, have a considerably adverse impact on the financial situation, results of our operations and growth prospects of the Group.

The Polish mobile telecommunications industry is highly competitive

The Group faces strong competition in all of its core business areas, especially from telecommunication operators such as: Orange (operating mainly under the Orange brand), T-Mobile (operating mainly under the T-Mobile brand), and P4 (operating mainly under the Play brand). There can be no assurance that customers will not find the offerings of those operators more attractive.

A shift in the business model of mobile telecommunications network operators in Poland, whereby competing providers of telecommunications services would form joint ventures or strategic alliances, or launch of new types of services, products and technologies may additionally intensify competition on the telecommunications services market. The situation on the telecommunications market in Poland may also change significantly as a result of potential acquisitions or if new mobile telecommunications operators enter the market or broadband services are offered by entities other than mobile telecommunications operators.

Moreover, we face growing competition from entities offering non-traditional voice and data transmission services which rely on the VoIP technology, such as Skype or Viber, through which customers who use only mobile data transmission services can be provided with mobile voice and video services, and users with fixed broadband access can be provided with voice and video services over fixed-line networks, usually at prices lower than traditional voice and data transmission services. To this end, such entities use, among other things, the possibility to provide services via existing infrastructure, belonging to telecommunication operators, so as to avoid having to implement capital-intensive business model themselves. Continued growing popularity of these services may lead to a decrease in ARPU and the subscriber base of telecommunications operators, including the Group’s one. It can be expected that in the future the Group will also have to compete with providers of services supported by communication technologies which at the date of this report are at an early stage of development or which will be developed in the future. The Group's existing competitors as well as new players on the Polish market may introduce different new services or telecommunications services based on better technologies than those currently used by the Group before such services are introduced by the Group, or may offer such services at more competitive prices. Mobile virtual network operators (MVNO) also compete with traditional mobile telecommunications network operators.

The Group's ability to effectively develop its operations on the Polish telecommunications services market may be also adversely affected by the imposition of new regulatory requirements on entities operating in Poland, further legal changes, or the regulator's policy designed to increase the competitiveness of the telecommunications services market.

Moreover, the high rate of mobile voice penetration (147.7% at June 30, 2014, according to GUS data) and the highly consolidated nature of the Polish mobile telephony market may result in increased pricing pressure and our ability to compete effectively will depend on our ability to introduce new technologies, convergent services and attractive bundled products at competitive prices. It cannot be ruled out that we will be forced to reduce prices for certain products and services in response to the pricing policies of its major competitors, which may have an adverse effect on our future revenue and profitability.

Group's reduced competitiveness and increased pricing pressures could have a material adverse effect on the Group's financial condition, results of operations or prospects.

The Group faces competition from entities offering alternative forms of entertainment and leisure

Technological progress, as well as a number of various other factors expose our operations to growing competition for the time and form of customers' leisure and entertainment activities. In particular, we compete with entities offering such alternative forms of leisure and entertainment as cinema, radio, home video, printed media, as well as other non-media forms of leisure, including live events. Moreover, new technologies, such as video on demand (VoD), Internet streaming and downloading, have broadened and may continue to broaden the selection of entertainment options available to existing and potential users of our services. The growing variety of leisure and entertainment options offered by our current and future competitors may bring about a decrease in demand for our products and services, and weaken the effect of television as an advertising medium. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

Operating results of our TV production and broadcasting segment depend on the importance of television as an advertising media

In 2013, nearly 80% of the revenue generated by our TV production and broadcasting segment came from sale of advertising time and sponsored time slots on our TV channels. The Polish advertising market sees television competing with other advertising media, such as the Internet, newspapers, magazines, radio, and outdoor advertising. There can be no guarantee that TV commercials will maintain their position on the Polish advertising market, or that changes in the regulatory regime will not favor other advertising media or other broadcasters. The growing competitive pressure among advertising media, driven by the increasing prominence of Internet advertising in Poland, significantly higher spending on thematic channels, and the development of new forms of advertising may have an adverse effect on advertising revenue generated by our TV production and broadcasting segment, and thus on our operations, financial condition, performance, and cash flows.

Our potential advertising revenue depends on several factors, including the demand for and prices of advertising time. No assurance can be given that we will be able to respond successfully to the changing preferences of our viewers, which means that our audience share may decrease, which may adversely affect demand for our advertising time and our advertising revenue. The diminishing appeal of TV as a whole, and our own channels in particular, attributable both to higher interest in other forms of entertainment and to the declining importance of television as an advertising medium, may have an adverse effect on our business, financial condition, results of operations or prospects.

Given the intense competition across all market segments in which we operate, there can be no assurance that in the future our customers and advertisers will use our services rather than those of our competitors.

Because the Polish TV market is highly competitive, there can be no assurance that our revenue from pay TV subscriptions and advertising will be satisfactory compared to that of our competitors. Our current and future competitors may outmatch us in terms of financial and marketing resources, which may allow them to attract customers and advertisers more effectively.

Aa at the date of this report, nc+, a platform launched in late 2012 following the merger of Cyfra+ and the n platform, is our main competitor on the direct-to-home (DTH) TV market. Apart from other direct DTH competitors, we also compete with broadcasters using other technologies, such as terrestrial, cable and Internet television. Furthermore, we expect growing competition from joint ventures and strategic alliances between providers of cable and satellite TV and telecommunications operators. It is also probable that we will have to face foreign competitors entering the Polish market.

Following completion of the terrestrial television digital switchover process ("DTT") in Poland in July 2013, there are currently 24 TV channels broadcasted terrestrially. According to Nielsen Audience Measurement, in 2013 the audience shares of all DTT channels in the 16-49 age group reached 64.8% (compared to 66.4% in 2012). The aggregate audience share in this age group of the main four channels (POLSAT, TVN, TVP1 and TVP2) was 45.9% in 2013 (2012: 53.3%). The aggregate audience share of the other DTT channels was 18.9% in 2013 vs. 13.0% in 2012, which reflects the growing market fragmentation, to a large extent at the expense of the leading TV channels (including POLSAT, whose audience share decreased from 15.7% in 2012 to 13.5% in 2013); this may have a material adverse effect on our performance and financial condition. Our main competitors on the TV advertising markets are other broadcasters, such as TVN − a leading commercial broadcaster, and TVP − the broadcaster financed partly from public funds, which provides public service. Because TVP is the public broadcaster, it cannot interrupt programmes and films with commercial breaks. Any changes in this respect may contribute to the strengthening of TVP's competitive position, reducing our advertising revenue. Furthermore, we will be forced to compete with current and future market participants for terrestrial and satellite broadcasting licences in Poland. Such participants may include major broadcasters with greater resources and more recognisable brands. This is especially true in the case of companies from other EU countries, which may find the Polish TV market attractive for various reasons, including its current regulatory environment (which allows TV stations to broadcast more advertising during programmes and films than in other countries), as well as the increasing extent of other permitted advertising activities. And lastly, continued growth of cable TV, DTH and DDT providers in Poland may lead to further market and audience fragmentation, which may make advertisers reluctant to buy air-time on our channels. Losing customers and advertisers to our competitors may have a material adverse effect on our business, financial condition, results of operations or prospects.

The switch-over in Poland from analogue to digital terrestrial television broadcasting technology, leading to an increase in the number of generally available free-to-air (FTA) channels, may result in lower demand for our pay TV services and affect our audience share

The analogue to digital switchover in Poland has resulted in a substantial rise in the number of competitive TV providers. It is also probable that the current limits on awarding licences for DTT frequency bands will be lifted. This would be likely to bring about a growth in the number of digital channels available on the Polish TV market and would lead to a corresponding loss of our audience share. Following completion of the digital switchover process in July 2013, the number of terrestrial FTA TV channels has risen considerably, and their programming is becoming increasingly more attractive, which may reduce the demand for our DTH and DVB-T pay TV services, leading to a loss of the audience share and strong subscriber churn. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

We are exposed to currency risks

Our business is exposed to risk related to fluctuations in foreign exchange rates. While our revenue is denominated mainly in the Polish złoty, part of our operating costs is denominated in other currencies. We have trade payables (including amounts due for access to the catalogues of the leading film and TV studios as well as other suppliers and producers of programming content, purchase of modems, parts of set-top boxes, other hardware and software, as well as lease of transponder capacities) that are denominated in foreign currencies, mainly in the euro. Fluctuations in foreign exchange rates are outside our control and any adverse changes in the exchange rates of foreign currencies against the Polish złoty may significantly increase our costs and expenses translated into the Polish złoty, which in turn may have a material adverse effect on our business, financial condition, results of operations or prospects.

Polkomtel's Senior Notes are denominated in the US dollars and euro. Whereas the majority of cash flows of our Group is denominated in Polish złoty. Therefore, a substantial change in the value of Polish złoty vs. euro and US dollars may have a material adverse or positive impact on the Group's financial standing and its ability to service principal and interest payments denomineted in foreign currencies.

We may be exposed to currency risk in relation to the multi-currency Revolving Facility Loan, since movements in the exchange rate of the euro, dollar or any other currency provided for in the Senior Facilities Agreement dated 11 April 2014 against the złoty may increase the złoty-denominated amounts required to service principal and interest payments under the Revolving Facility Loan.

We are exposed to interest rate risk

Market interest rate fluctuations do not impact the Group's revenue directly, but they do affect our cash flows from operating activities through the amount of interest on current bank accounts and deposits, and also cash flows from financing activities through the Group's costs of servicing debt. In particular, our liabilities under the Senior Facilities Agreement and PLK Senior Facilities Agreement are calculated based on variable WIBOR, EURIBOR or LIBOR interest rates subject to periodical changes, increased by a relevant margin.

Despite the fact that the Group intends to maintain certain hedging positions the goal of which is to hedge against WIBOR fluctuations, there is no certainty that such a hedging will be still possible or whether it will be available on acceptable terms. The Group analyzes its interest rate risk on an on-going basis, including the refinancing and risk hedging scenarios, which are used to estimate the impact of the specific interest rate fluctuations on our financial result. Interest rate fluctuations may affect our ability to meet our current liabilities, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

18. Risks related to our business and the sector in which we operate

The results of our operations in the telecommunications sector depend on the ability to effectively encourage the existing customers to use a wider range of our services, win customers from competitive mobile and fixed-line operators, as well as the ability to reduce churn

It is expected that further growth of our operations on the maturing Polish mobile telephony market will chiefly depend on the ability to effectively encourage the existing customers to use a wider range of services offered by us, win customers from competitive mobile and fixed-line operators, as well as the ability to reduce the churn rate. The Group cannot give any assurance that the measures it is undertaking will encourage its existing customers to use a wider range of services or attract customers from competitive mobile and fixed-line operators, or that the measures we are undertaking to increase subscriber loyalty will reduce the rate of churn or allow the Group to maintain the current churn rate. If we are unable to successfully manage the churn rate, we may be forced to significantly reduce our costs to maintain satisfactory profit margins, or to take alternative steps, which could in turn result in higher costs of customer acquisition and retention.

In addition, the mobile telecommunications industry is characterised by frequent developments in product offerings, as well as by advances in network and handset technology. If we are unable to maintain and upgrade our network and provide customers with an attractive portfolio of products and services, we may not be able to retain cusotmers or the customers' retention costs may increase. Likewise, if we fail to effectively advertise our products and services, acquisition of new customers may be impossible or very difficult.

Additionally, competing mobile operators may improve their ability to attract new customers, or offer their products or services at lower prices, improve their attractiveness for customers, which could make it more difficult for us to retain the current customer base, and the cost of retaining and acquiring new customers could increase.

All such events could have a material adverse effect on the results of our operations, financial condition and prospects.

Our performance depends on our customers' satisfaction, the acceptance of our programming content by viewers, as well as our ability to generate profit from our own productions or from acquired broadcasting rights

We operate on markets where a commercial success primarily depends on customer satisfaction and acceptance of programming content, and viewers' reactions are often difficult to predict. We strive to acquire and retain pay TV customers by providing them with access to a broad range of channels, including sports, music, entertainment, news, children's, educational and film channels, all main terrestrial television channels available in Poland, as well as HD and free-to-air TV and radio channels. Whether customers are satisfied with our programming is vital for our ability to acquire and retain customers, as well as to generate and increase subscriber revenue.

Our ability to generate advertising revenue in the TV production and broadcasting segment depends almost entirely on viewers' demand for our programmes. Audience shares achieved by programmes we broadcast directly affect both the attractiveness of our television channels to existing and potential advertisers and rates we are able to charge for advertising time. In the TV broadcasting and production segment we also generate revenue from production and sale of television programmes to third parties operating in Poland and, to a lesser extent, abroad. Prices which we are able to receive from potential buyers of our own productions are directly linked to the audience for those programmes, as third-party buyers, interested in generating advertising revenue, look for programming contents with highest viewership numbers.

Demand for TV programmes and programming preferences change frequently, irrespective of the media on which they are carried. We might not be able to attract or retain customers to our pay TV services if we are not able to effectively predict demand for programmes or changes in audience tastes, or if our competitors prove better at such predictions. This may bring about an increase in subscriber churn, while in the TV production and broadcasting segment it may result in decreasing audiences for our programmes and subsequent difficulties in acquiring advertisers

To some extent, the profitability of our operations depends on our ability to produce or obtain broadcasting rights to the most attractive programmes in a cost-effective manner. While costs of in-house productions of television content are usually higher than costs of purchasing third-party programmes, we believe that a larger number of Polish programmes broadcast on our channels will increase viewers' demand and consequently increase the demand from advertisers. However, there can be no assurance that financial outlays we have made or will make in the future on Polish programming production will be fully recovered or that we will be able to generate revenue high enough to offset those costs.

Consequently, if customers do not accept our programming offer or we are unable to produce programmes or acquire broadcasting rights in a profitable manner, it may have a material adverse effect on our financial condition, results of operations or prospects.

We may be unable to attract or retain customers and advertisers if we fail to conclude or extend the licence agreements under which we distribute key programmes

Our performance depends on our ability to acquire attractive television programmes. Our pay TV customers' access to television channels depends entirely on our purchase of licences from TV broadcasters. In the TV production and broadcasting segment, we independently produce certain TV programmes, while other TV programmes and content are broadcast under licence agreements. Our licence agreements are usually concluded for definite periods, usually two to three years for films and TV series, and three to five years for sports programmes. Under certain circumstances, a licensor may terminate a licence agreement before it expires without our consent. This is particularly likely if we fail to fulfil our obligations, including the obligation to pay licence fees. In order to acquire and retain customers and advertisers, it is necessary to maintain an attractive selection of TV programmes. There can be no assurance that our licence agreements will be extended on equally favorable terms or that they will be extended at all, nor can we exclude the possibility that a licensor will terminate the licence agreement before its agreed expiry date. Our inability to obtain, maintain, or extend important programme licences may make it difficult for us to provide and offer new attractive channels and programmes, which may result in losing our ability to acquire and retain customers and advertisers. This in turn may have a material adverse effect on our performance, financial condition and growth prospects.

Polkomtel may lose the revenues generated pursuant to its national roaming agreement with P4 or such revenues may be materially lower than anticipated

In 2006 Polkomtel entered into, and in 2010 and 2012 renegotiated, a national roaming agreement with P4, under which Polkomtel renders national roaming services allowing P4 to offer mobile telecommunications services to its customers in areas where it does not have its own radio network coverage. According to this agreement, Polkomtel is required to sell and P4 is required to buy, in 2010-2015, national roaming services with a total minimum value of over PLN 600 million. As in certain circumstances P4 has the right to terminate the agreement, there can be no assurance that P4 will not terminate the agreement before the end of 2015. Moreover, there can be no assurance that the agreement will be renewed after its current term or that P4 will comply with all of its provisions. On March 25th 2014, P4 announced in a press release its plans to gradually introduce T-Mobile as its main roaming partner in the areas not covered by its own network.

Moreover, if P4 becomes insolvent or goes into liquidation, P4 may not be able to continue performing under the National Roaming Agreement and Polkomtel may not be able to collect any of P4's payables under the agreement.

If Polkomtel loses the revenue generated pursuant to its National Roaming Agreement with P4 or if such revenue is materially lower than anticipated, due to, for example, Polkomtel's failure to perform its obligations under the agreement, P4 migrating a significant portion of the traffic to its own network or other operators' networks, P4's strategy or financial condition or any other factors outside Polkomtel's control, the financial condition, results of operations or prospects of the Group may be adversely affected.

Our ability to increase sales of our services depends on the effectiveness of our sales network

We operate an organised and specialised Poland-wide sales network, which distributes products and services offered by our Group. Because of growing competition with other pay TV providers and telecommunications services providers, we might have to raise fees paid to our distributors in order to expand the sales and distribution network, and change the channels we are using to distribute our services. Any potential increase of fees paid to distributors in our sales and distribution network will result in higher operating costs and probably lead to lower profit from operating activities. Furthermore, if we decide that our distribution network requires extensive reorganisation or reconstruction, we may face the need to incur substantial financial outlays. Any failure to maintain, expand or modify our sales and distribution network may make it much harder to acquire and retain customers of our services, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

In our business, we depend on third-party providers for certain services, infrastructure or equipment. If these are delivered late or if they are not delivered at all our services may delayed or even suspended

External providers provide us with support services and deliver equipment and infrastructure necessary for us to conduct our operations. We have little to no influence over how and when these third-party providers perform their obligations.

We collaborate with a number of third parties in providing our pay TV, broadband and mobile telephony services. Our ability to deliver pay TV services to the customers depends on the correct operation of the infrastructure and equipment belonging to the entities with which we collaborate. For instance, we lease transponders from Eutelsat S.A. to deliver digital signal via satellite to our customers in Poland. Our customers' antennas are usually adapted to receiving signals delivered through transponders leased from Eutelsat S.A. In order to switch the satellite operator in the event of our failure to extend a contract, or in the event of contract termination by Eutelsat S.A., or for other reasons, we would be forced to find an alternative provider of satellite transmission capacities and potentially reposition our customers' satellite antennas, which would be a cost- and time-consuming process considering the size of our subscriber base

To broadcast our terrestrial channels, we use the services provided by Emitel. We also rely on another third-party contractor, Nagravision S.A., which provides to us a conditional access system to secure our networks against unauthorised access by pirates and hackers. Our broadcasting services also rely on a number of third-party contractors, and we outsource a number of non-core activities (including certain IT functions) not related to our broadcasting business. These, and other services, are often central to our operating activities.

The provision of our services may be disrupted or interrupted if any of our partners is unable to, or refuses to, perform their contracted services or provide access to infrastructure or equipment in a timely manner, on acceptable terms or at all. These and other disruptions or interruptions may have a material adverse effect on our business, financial condition, results of operations or prospects.

Our ability to grow our customer base depends on our ability to provide high-quality, reliable services and products. In offering products and services, we rely on a number of third-party providers of network, services, equipment and content over whom we have no control. If such third-party providers do not perform their contractual obligations towards us or do not adjust to changes in requirements of the Group’s companies, our customers may experience service interruptions, which could adversely affect the perceived quality of our services and products, therefore, adversely impact the brand and reputation of the Group’s companies, thus affecting our business, financial condition, results of operations or prospects.

A possibility of provision of telecommunications services depend to a large degree on our ability to interconnect with the telecommunications networks and services of other telecommunications operators, including those of Polkomtel's direct competitors. We also rely on third-party operators for the provision of international roaming services to our mobile customers. While Polkomtel has interconnection and roaming agreements in place with other operators, we do not have direct control over the quality of their networks and the interconnections and roaming services they provide, due to the fact that we do not have direct control over availability or quality of networks of such operators or interconnect and roaming services, there can be no assurance that availability and quality of services provided by such other operators will be in accordance with contract. Any difficulties or delays in interconnecting with other networks and services, the failure of any operator to provide reliable interconnections or roaming services on a consistent basis or early termination of any of material interconnection or roaming agreements could result in an inability or limited ability to provide services to our customers or in a deterioration of quality of the services, which in turn can lead to loss of customers or decreased usage of our services, and consequently have a material adverse effect on our performance, financial condition and growth prospects.

In addition, we rely on continued maintenance and supply services rendered by manufacturers of telecommunications equipment, including Nokia Solutions and Networks and Ericsson. Continued cooperation with some of them is important for us to maintain our operations without disruption. We also rely on agreements with external suppliers of handsets and modems (including Nokia, Samsung, LG and Huawei) and providers of IT services (including Intec Billing). We do not have any control over our key suppliers and have limited influence on the manner in which these key suppliers perform their obligations under concluded contracts. In addition, there can be no assurance that these providers will not terminate their contracts with us, extend them upon expiry, extend them on the same or more favorable terms, or that we will be able to acquire the necessary equipment and services in the future from these or other suppliers, in required amounts and at the right time, or at all. Accordingly, due to dependence on third-party suppliers, we are exposed to the risk of delayed provision of necessary services or equipment or lack of such provision

If any of the third parties that we rely on becomes unable to or refuses to provide the services, facilities and equipment that we depend on in a timely and commercially reasonable manner or at all, we may not be able to offer our customers such services, facilities or equipment or may experience temporary service interruptions or service quality problems, which would significantly impact our reputation and customer confidence and lead to a decrease in revenue from sales of such services, facilities and equipment and in consequence have a material adverse effect on our business, financial condition, results of operations and prospects

We may be unable to keep pace with new technologies used in our markets

The technologies used in broadcasting and delivering pay TV, broadband and mobile telecommunications services develop extremely quickly, which is why there can be no assurance that we will be able to sufficiently modify our services to keep up with these changes.

Compression, signal encoding and subscriber management systems vital to the correct functioning of our satellite centre, set-top boxes manufactured at our plant, as well as other software and technologies used by us and our suppliers, must be constantly updated and replaced to match the latest technological developments. Our inability to replace obsolete technological solutions as and when needed may result in disruption of our pay TV services, which may in turn cause an outflow of customers to competitors who have brought their technologies up to date.

Technological progress requires us to modify our content distribution and TV programming methods to keep pace with the changing market. New technologies – including new video formats, IPTV, Internet streaming and downloading services, video on demand (VoD), mobile television, set-top boxes with recording capability, as well as other devices and technologies – introduce new media and entertainment options and change the way customers receive content. This allows them to enjoy television outdoors or at a later time, without commercials and to a custom schedule. Such technologies are growing in popularity and are becoming easier to use, yet the resulting fragmentation of TV viewers may cause a general decline in TV advertising revenues.

It is expected certain communications technologies that are currently under development, namely LTE, LTE-Advanced, VOLTE, as well as fibre optics technology allowing for faster data transmission and lower unit cost per GB transferred traffic, to become increasingly important in the markets in which we operate. Technological developments may also shorten product life cycles and facilitate convergence of various segments in the telecommunications industry. In addition, we cannot currently predict how emerging and future technological changes will affect the Group's operations, nor can it predict that new technologies required to support its planned services will be available when expected, if at all.

Given the fast pace of technological change and customers' growing expectations, and considering the risk that our competitors may offer telecommunications products and services that are based on new technologies which are more technologically advanced, less costly or otherwise more attractive to customers than those provided by us, we may be required to rapidly deploy new technologies, products or services. The rapid evolution of technology in the markets in which we operate and the complexity of our information technology systems, as well as a number of other factors, including economic ones, may affect our ability to timely launch new technologies, products or services. We cannot guarantee that we will correctly predict the development of new technologies, products or/and the demand for products and, therefore, that we will at an appropriate moment devote appropriate amounts of capital and resources to develop the necessary technologies, products or services that will satisfy existing customers and attract new customers. If we fail to implement new technologies, products or services or implement such new technologies, products or services too late, it may render our technologies, products or services less profitable or less attractive than those offered by its competitors. In addition, new or enhanced technologies, services or products we introduce may fail to achieve sufficient market acceptance or experience technical difficulties. We may also be unable to recover the investments it has made or may make to deploy these technologies, services and products and therefore no assurance can be given that we will be able to do so in a cost efficient manner, which would also reduce our profitability. Moreover, we may not be able to obtain funding, in sufficient amounts on reasonable terms, in order to finance capital expenditures necessary to keep pace with technological developments and with the competitors.

Failure on our part to adapt our products and services to the changing lifestyles and preferences of our customers, or to make sufficient use of new technologies in our activities, may have a material adverse effect on our business, financial condition, results of operations or prospects.

A substantial increase in data volumes transferred by our customers as part of their packages may result in higher-than-expected increase in national roaming costs

Under PLK Wholesale Agreement, concluded on March 9, 2012 by and between Mobyland and Polkomtel, we purchased from LTE Group a data transmission service at agreed rates per GB of transferred data. Under the retail data transmission service model prevailing on the Polish market, customers sign contracts for a defined number of months, under which we provide individual and business customers with predefined data allowances or with packages without data transfer limits, where bandwidth is reduced after a specified amount of transferred data is exceeded, or wihtout any limitations. In the face of market competition, we may be forced to offer our individual and business customers more attractive solutions by increasing contract data allowances or removing limits altogether, or individual and business customers may use the data transmission service under their existing packages to a greater extent than originally anticipated by us, which may result in higher costs of the wholesale data transmission service provided to us by LTE Group under the aforementioned PLK Wholesale Agreement. There can be no assurance that in such a situation we will be able to effectively renegotiate the terms of this agreement. Consequently, this may substantially reduce the profitability of our data transmission services, and have a material adverse effect on our business, financial condition, results of operations or prospects.

Alleged health risks of wireless communications devices could lead to decreased wireless communications usage or increased difficulty in obtaining sites for base stations

In the past, reports have been published alleging that there may be health risks associated with the effects of electromagnetic signals from antenna sites and from mobile handsets and other mobile telecommunications devices. There can be no assurance that further medical research and studies will not prove that there are health risks associated with the effects of electromagnetic signals.

The actual or perceived risk of mobile telecommunications devices, press reports about risks posed by such devices or consumer litigation relating to such risks could result in decreased mobile usage, reduction in the number of customers, increased difficulty in obtaining sites for base stations and exposure to potential litigation or other liabilities. In addition, these health concerns may cause authorities to impose stricter regulations on the construction of the components mobile telecommunications networks, such as base transceiver stations or other telecommunications network infrastructure, which may lead to an increase in our operating costs in the segment of services to individual and business customers, and may hinder the completion of network deployment and the commercial availability of new services, or may increase costs of such development. Such events may have a material adverse effect on our business, financial condition, results of operations or prospects.

We are exposed to the risk of fraudulent activities by customers

Given the nature of the telecommunications market stemming from the manner of making interconnect settlements related to the exchange of domestic and international telecommunications traffic and fees for sold premium services, some of our customers use telecommunications services in a way that differs from the standard method of their use by the end user in order, for example, to terminate mass traffic in the network of another operator while bypassing wholesale interconnect settlements. We prevent such behaviour, for example, by analysing any abnormal traffic patterns on individual SIM cards. If such traffic patterns are identified, the card can be immediately deactivated, in accordance with the service provision regulations. However, there can be no assurance that we will be sufficiently effective in preventing this type of fraud. If we do not identify a fraud or identifies a fraud with a delay, we may be exposed to additional costs or lose some revenue due to us, which can have a material adverse effect on our business, financial condition and growth prospects.

We might be unable to maintain good name of the Cyfrowy Polsat, Plus, Telewizja Polsat and IPLA brands

The good name of the “Cyfrowy Polsat”, “Plus”, “Telewizja Polsat” and “IPLA” brands is a significant component of Group's value. Maintaining their good name is fundamental for acquiring new and retaining existing customers and advertisers. Our reputation may suffer if we are unable to provide existing products and services or implement new products and services due to technical faults, a lack of necessary equipment, or other circumstances. Also, the quality of our products and services depends on the quality of third-party infrastructure and services, over which we have little control. If our partners fail to observe relevant performance standards or supply faulty products or services, the quality of our products and services, as well as our good name may suffer. There can be no assurance that these or other risks, which would compromise the good name of the "Cyfrowy Polsat", "Plus", "Telewizja Polsat" and "IPLA" brands, will not materialise in the future. Any damage to our good name may have a material adverse effect on our business, financial condition, results of operations or prospects.

Goodwill and brand value may be impaired

Following the acquisition of mPunkt S.A., Telewizja Polsat, Info-TV-FM and IPLA companies (Redefine together with Poszkole.pl sp. z o.o., Stat24 sp. z o.o., Netshare sp. z o.o., Frazpc.pl sp. z o.o. and Gery.pl Sp. z o.o.) we have carried considerable amounts of goodwill and intangible assets, representing brand value, on our balance sheet. We test the goodwill and brand value allocated to our business segments for impairment on an annual basis, by measuring the recoverable amounts of cash-generating units, based on value in use. Any adverse changes to the key assumptions we apply in impairment testing may have a material adverse effect on our business, financial condition, results of operations.

We may lose our management staff and key employees

Our performance, as well as successful implementation of our strategy, depend on the experience of our management staff and the commitment of our key employees. Whether we are successful in the future will depend partly on our ability to retain the Management Board members who have made considerable contributions to the development of our company, as well as to acquire and retain qualified employees who will ensure effective operation of our business segments. In the television and telecommunication sectors, both in Poland and worldwide, there is strong competition for highly qualified employees. Therefore, no assurance can be given that in the future we will be able to acquire or retain Management Board members or qualified employees. Loss of our key managers or our inability to acquire, properly train, motivate and retain key employees, or any delays in this respect, may have a material adverse effect on our business, financial condition, results of operations or prospects.

Disruptions to set-top box production may adversely affect our reputation and increase subscriber churn

To reduce acquisition costs of satellite TV reception equipment and to be able to offer our pay TV customers the option to purchase or lease set-top boxes at lower prices, we are currently producing most of the set-top boxes we offer to our customers at our own production facility in Poland. At the end of the first half of 2014, our set-top boxes accounted for more than 95% of all the set-top boxes sold or otherwise made available to our pay TV customers. Should any batch of the set-top boxes we have manufactured prove defective and need to be withdrawn from the market, we are under the obligation to replace the set-top boxes we have made available to our customers and to cover (potentially considerable) costs of replacing or repairing any set-top boxes we have sold on the market. Furthermore, the withdrawal of reception equipment due to its defectiveness could be harmful to our reputation. Our plant is currently operating at close to maximum capacity, so any problems with production of set-top boxes would force us to acquire larger numbers of set-top boxes from third-party suppliers. There can be no assurance that we will be able to purchase a sufficient number of set-top boxes from third-party suppliers when required. Furthermore, the cost of acquiring from third-party suppliers of the vast majority of set-top box models we offer would be much higher than the cost of manufacturing them at our own plant. If we were unable to obtain set-top boxes from third-party suppliers on satisfactory pricing terms, we might have to raise the prices for our customers to cover our increased depreciation expense. Moreover, if the deliveries of set-top boxes we managed to procure were insufficient to meet the demand, our reputation among our current and potential customers would suffer. As our production of set-top boxes is based on components purchased from third-party contractors, there is a risk that we lose access to such components, for instance due to discontinuation of their production or changes in technologies or products. Losing access to certain components would force us to redesign our set-top boxes, which could affect continuity of their production and supplies to our customers. Any difficulties in the production of most of our set-top boxes at our own production plant could lead to a loss of our current customers or adversely affect our ability to acquire new customers for our pay TV services. Any disruption to our set-top box production and subsequent necessity to procure more set-top boxes from third-party suppliers could adversely affect our reputation and lead to erosion of our brand value, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Network infrastructure, including information and telecommunications technology systems, may be vulnerable to circumstances beyond the Group control that may disrupt service provision

The mobile telecommunications business depends on providing both customers with reliable service, network capacity and security. The services Polkomtel provides may encounter disruptions from many sources, including power outages, acts of terrorism and vandalism and human error, as well as fire, flood, or other natural disasters.

Base transceiver stations, where radio equipment is installed, form a crucial element of Polkomtel's network infrastructure. The stations are erected at various, often remote locations, in scarcely populated areas. Such location of certain stations poses a greater risk of theft or acts of vandalism, including by persons objecting to base transceiver stations being erected at particular locations.

In addition, part of Polkomtel's network infrastructure is located on the premises of third parties. Furthermore, in the course of cooperation with LTE Group, Polkomtel utilises LTE Group's network infrastructure, some of which is also located on the premises of other third parties. Disputes between these third parties and Polkomtel or LTE Group or disputes between Polkomtel and LTE Group, failure of third parties or LTE Group to properly perform their contractual obligations, as well as a number of other factors and events may cause part of Polkomtel's or LTE Group's network infrastructure to be inaccessible, which could adversely affect Polkomtel's ability to efficiently operate, maintain and upgrade its network or to utilise LTE Group's network infrastructure. In addition, we could experience interruptions of our services due to, among other things, software bugs, computer virus attacks, or unauthorised access. Any interruptions in our ability to provide services could seriously harm the Group’s reputation and reduce customer confidence, which could materially impair our ability to attract and retain customers in both the retail and wholesale segments. In addition, such interruptions could result in an obligation to pay contractual penalties or cause our customers to terminate their agreements with Polkomtel or the imposition of regulatory penalties due to violations of the terms of frequency allocation. They might also result in a need to incur significant expenditure to restore the functionality of the telecommunications network and guarantee reliable services to customers.

In order to provide pay TV services to our customers, we rely primarily on our satellite centre, as well as satellite transponders, subscriber management system, reporting systems, sales support system, and customer relationship management system. Any failure of the individual components of our satellite centre, including failure of satellite transponders or any intermediate link, may result in serious disruption or even suspension of our activities for a certain period. In the TV production and broadcasting segment, the IT systems are used primarily for management of advertising scheduling, programme broadcasting, and maintaining relations with advertisers. Failure of any of our IT systems may prevent us from carrying out our operations successfully, while restoring them to full working condition may require significant financial outlays. Such events may have a material adverse effect on our business, financial condition, results of operations and prospects.

Polkomtel's further effective cooperation with LTE Group may prove impossible in the future

Polkomtel's ability to efficiently roll-out the LTE/HSPA+ network and offer large-scale LTE/HSPA+ services, and thus a possibility to capitalise on the early entrant advantage in LTE combined with its broad coverage, depends to a significant extent on Polkomtel’s effective cooperation with LTE Group under Network Sharing Agreement, concluded on March 30, 2012 netween Aero2 Sp. z o.o and Polkomtel, and PLK Wholesale Agreement, concluded on March 9, 2012 between Mobyland and Polkomtel. There can be no assurance that these agreements are not terminated before their expiry, are renewed for subsequent periods on the current terms or on terms more favorable to us or that LTE Group companies perform their contractual obligations towards Polkomtel, including when faced with events and factors outside LTE Group's control. There can be no assurance, either, that the scale of Polkomtel's cooperation with LTE Group is sufficient to support further effective extension of the LTE/HSPA+ network. Moreover, there can be no assurance that under PLK Wholesale Agreement, we will be able to secure sufficient wholesale access to LTE Group's LTE/HSPA+ network, or that it will be able to secure the access on acceptable terms. If any of these occurs, Polkomtel may have to develop the LTE/HSPA+ network independently, which may prove an extremely time- and money-consuming process, and thus may have a material adverse effect on our business, financial condition, results of operations and prospects.

LTE Group may lose the spectrum reservations it uses for LTE/HSPA+ network roll-out carried out jointly with Polkomtel Group

LTE Group companies currently hold frequency allocations in the 900 MHz, 1800 MHz and 2570-2620 MHz. These allocations are fundamental for the joint roll-out of the LTE/HSPA+ network by Polkomtel and LTE Group. LTE Group's competitors have taken a number of steps, some of which may lead to invalidation of the decisions regarding frequency allocations granted to LTE Group, including the 1800 MHz band frequency allocation, which is currently integral to the offering of LTE services.

No assurance can be given that as a result of the pending proceedings LTE Group will not lose its 1,800 MHz frequency allocation, which could have a material effect on the ability to provide LTE/HSPA+ services. Proceedings to invalidate the 1,800 MHz frequency allocation tender have been instigated by T-Mobile and Orange. Supreme Administrative Court (NSA), in its ruling dated May 8, 2014, repealed the decision issued by the President of the Office of Electronic Communications (UKE) on September 23, 2011 which partially invalidated the above mentioned tender. Following the decision of the Supreme Administrative Court, UKE informed that “the decisions regarding re-running the tender will be taken by the Office upon careful analysis of the written justification of NSA's rulings and the Court's guidelines regarding further procedure as well as upon analysis of the legal situation". UKE also stated that the "reservation decisions issued by UKE President remained valid while the operators could continue providing their services while using these frequencies". Until the date of publication of this report we have not become aware of further new information regarding these proceedings.

No assurance can be given that if LTE Group lost certain frequency allocations on the basis of which Polkomtel provides services which rely on the LTE/HSPA+ technologies, Polkomtel would be able to gain access to sufficient alternative frequency band resources on satisfactory terms or at all, and failure to obtain access to such resources could have a negative impact on the implementation of business strategies and consequently a material adverse effect on our financial condition, results of operations and prospects.

The necessity to obtain building permits may delay or prevent roll-out of the telecommunication networks

Roll-out of Polkomtel's network infrastructure, including in particular the construction and installation of base transceiver stations, might require obtaining building permits. No assurance can be given that all the necessary building permits will be obtained or that they will be obtained when originally anticipated, which would pose the risk that work on development of the network infrastructure may have to be discontinued, or may be considerably delayed. Furthermore, any building permit that is obtained may in certain circumstances be revoked, even after a given component of network infrastructure is put into operation, which may in certain circumstances lead to suspension of the operation of the network component and require a legalisation procedure to be carried out or, if such procedure is not possible, the infrastructure component to be disassembled.

The necessity to limit expansion of Polkomtel's network infrastructure due to its failure to obtain the required building permits, delays in infrastructure development or − when a building permit is revoked − the obligation to discontinue operation or to disassemble an infrastructure component, may have a material adverse effect on our business, financial condition, results of operations or prospects.

We could become a party to labor disputes or experience growth of employment costs

In spite of correct relations with our employees, we may not rule out the risk of occurrence work disruptions, disputes with employees, strikes or significant growth of labor costs in one or many of our companies. Each of the above events could prevent our ability to satisfy customer needs or lead to growth of labor costs which would reduce our profitability. In addition any employee-related problems affecting external companies providing services or technologies to us could also have adverse impact on us if they hinder our ability to obtain the required services or technologies on time or the ability to offer the expected quality. All disruptions of this type may have a material adverse effect on our business, financial condition or prospects

Two trade unions are active at Polkomtel: Niezależny Samorządny Związek Zawodowy Solidarność (the Solidarity Independent Self-Governing Trade Union) and Ogólnopolskie Porozumienie Związków Zawodowych (All-Poland Alliance of Trade Unions). At December 31st 2013, 304 employees, or 8.4% of the total workforce of Polkomtel Group, were trade union members. At the date o this report , we had no knowledge of any disputes with trade unions or any other collective disputes at Polkomtel. However, involvement in lengthy negotiations with the trade unions or in collective disputes cannot be ruled out; strikes, work interruptions or other industrial action (triggered, for example, by an attempt to optimise the employment level or labour costs or the need to restructure the workforce), as well as employees' pay rise demands may also be experienced. The occurrence of strikes, significant disputes with the trade unions active at Polkomtel or increase in employment costs may disrupt Polkomtel's operations, preventing it from timely or cost-effective provision of services to its customers, which can have a material adverse effect on our business, financial condition, results of operations and prospects. Moreover, Polkomtel has been and is engaged in individual disputes with some of its employees. There can be no assurance that existing or future disputes with employees will not be resolved in a manner unfavorable to Polkomtel, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The administrative and court proceedings in which we are involved may result in unfavorable rulings

We were, and currently are, party to a number of past or pending administrative and court proceedings in connection with our business. Therefore, there is a risk of new proceedings being instituted against us in the future, outcomes of which may prove unfavorable (including those instituted in connection with claims made by organisations for collective administration of copyrights). Under Polish copyright law, we are required to pay fees for collective administration of copyrights to organisations that collect royalties on behalf of authors of copyright-protected works we broadcast or distribute as part of our operations. Such fees are charged in accordance with licence agreements signed with these organisations. Although relevant agreements are in place with several organisations for collective administration of copyrights, there is a risk that claims will be brought against us by other such entities. Polkomtel is in turn a party to administrative and court proceedings, including the ones which have been initiated by regulators, competition and consumer protection office as well as tax authorities. Polkomtel is also a party to disputes and court proceedings involving third party entities.

Any unsuccessful court, arbitration and administrative proceedings may have an adverse effect on our business, financial condition, results of operations or prospects.

Should any claims related to the infringement of third-party intellectual property rights be brought against us, we may be forced to incur substantial expenses to defend against those claims, to acquire a licence for a third-party technology, or to redefine our business methods to eliminate the infringement

Our business success depends largely on third-party intellectual property rights, particularly rights in advanced technologies, software, and programming content. No assurance can be given that we have not, or that we will not in the future, infringe any third-party intellectual property rights. Any such infringement may result in claims for damages being brought against us by third parties. We may also be placed under an obligation to obtain a licence or acquire new products which would enable us to conduct our business in a non-infringing way, or we may have to expend time, human and financial resources to defend against claims of infringement. Expenditure on defending against intellectual property infringement claims or obtaining necessary licences, and the need to employ time and human resources, including the management staff, to handle issues related to absence or infringement of intellectual property rights, may have a material adverse effect on our business, financial condition, results of operations or prospects.

Our own intellectual property rights and other means of protection may not adequately protect our business, and insufficient protection of our programming content, proprietary technologies and know-how may cause profit erosion and customer churn

A large proportion of our products make use of proprietary or licensed content, delivered through our broadcast channels, interactive TV services, and pay TV. We establish and protect our property rights on distributed content relying on trademarks, copyrights, and other intellectual property rights, but no assurance can be given that these rights will not be challenged, revoked or disregarded.

Even if our intellectual property rights remain in full effect, no assurance can be given that our protection and anti-piracy measures will successfully prevent unauthorised access to our services and theft of our programming content. Furthermore, our proprietary content and the content we use under licences may be accessed, copied or otherwise used by unauthorised persons. The risk of piracy is particularly harmful to our segments of TV production and broadcasting and the distribution of paid content. Media piracy is a problem well known in many geographies, including Poland. Technological advancements and digital conversion of multimedia content are powerful incentives for pirating, as they enable the production and distribution of high-quality unauthorised copies, recorded on various carriers, of pay-per-view programmes delivered via set-top boxes, licence-free or free-to-air transmissions on television or the Internet. This is further exacerbated by the difficult enforcement of the laws governing copyright and trade-mark infringements on the Internet, which compromises the protection of our intellectual property rights in that medium. Unauthorised use of our intellectual property may adversely affect our operations, harming our reputation and undermining our trading partners' confidence in our ability to properly protect our proprietary and licensed content, which in turn may have a material adverse effect on our business, financial condition, results of operations or prospects.

We may violate the acts of law and regulations governing our satellite TV distribution business as well as telecommunications, TV broadcasting, advertising and sponsoring activities, which are subject to periodic amendments

We are required to comply with Polish and EU laws, which impose limitations on the conduct of our business. Our operations are extensively regulated by government authorities and market regulators, especially the President of the Office of Electronic Communications (UKE) and the National Broadcasting Council (KRRiT), the bodies responsible for overseeing compliance with the Polish Act on Television and Radio Broadcasting, the Telecommunications Law, and the terms of our broadcasting licences. Decisions by the Chairperson of KRRiT, the President of UKE or other regulators may place certain restrictions on the way in which our business can be run.

The President of UKE supervises both our telecommunication operations as well as TV broadcasting and production. As part of our telecommunications services, we mainly provide mobile voice services, broadband Internet access as well as certain wholesale services to other operators. Telecommunications undertakings operating in Poland are subject to a number of legal and administrative requirements having a direct impact on their business, both in relations with individual and business customers (for instance, by specifying the scope of customers' rights or the content of standard terms and conditions for the provision of telecommunications services, setting caps for pricing of international roaming services, or restricting the maximum time for which contracts can be concluded with customers) and wholesale customers (for instance, by imposing MTR caps or defining the caps for interworking rates used in settlements on account of roaming traffic). Our TV production and broadcasting segment is in turn overseen by the President of UKE for compliance with the terms of licences and frequency allocations assigned by the President of UKE for the purposes of TV broadcasting services. We cannot give any assurance that we will be able to meet the multiple requirements imposed on us by the Polish Telecommunications Law. In the event of our non-compliance with any provisions of the Telecommunications Law, we may face a fine from the President of UKE of up to 3% of our revenue generated in the year preceding the year in which such fine is imposed.

The KRRiT regulations also pertain to both our business segments, although they have a more direct effect on our TV production and broadcasting segment. As a TV broadcaster operating in Poland, we have to observe a number of legal and administrative requirements related to such matters as broadcasting time, programming content, and advertisements. Furthermore, KRRiT undertakes regular checks to ensure that our operations conform to the terms of our broadcasting licences, provisions of the Polish Act on Television and Radio Broadcasting, and its own internal guidelines. There can be no assurance that we will be able to satisfy the multiple regulatory requirements imposed on our TV production and broadcasting segment under the relevant licences. In the event of our non-compliance with any applicable regulations, we may face a fine from KRRiT of up to 50% of the annual fee for the right to use a given frequency.

The regulatory regime for the broadcasting industry is subject to frequent changes, and so there can be no assurance that such future changes will not have an adverse effect on our channel mix, ability to attract advertisers or the way in which our business is run.

In future, our DTH business may be subject to zoning, environmental or other regulations that will place restrictions on where satellite antennas may be deployed. We may also have to deal with pressures from local communities regarding deployment of our satellite antennas. Any such legal restrictions or conflicts with local communities related to the deployment of our satellite antennas may render our DTH services less attractive, leading to a fall in subscriber numbers.

Non-compliance with valid law or with the regulations issued by regulatory bodies may have material adverse effect on our business, financial condition, or prospects.

Polkomtel's operations are subject to a number of legal regulations and requirements of awarded frequency allocations which could be amended in the future

As a mobile telecommunications network operator, Polkomtel is subject to a number of laws and regulations, in particular those regulating maximum rates charged for specific telecommunication services, those related to ensuring effective competition, non-discrimination, transparency in telecommuniactions services prices, reporting, data protection and national security. Any potential breach of the applicable laws or terms of frequency allocations may in certain cases result in imposition of penalties on Polkomtel, loss of reputation, inability to obtain new frequency allocations or even loss of current frequency allocations. Furthermore, future changes in Polkomtel's regulatory environment may be disadvantageous to Polkomtel's business, for instance by increasing its costs.

An important and active role in ensuring the observance of telecommunications laws and regulations by entities operating in the telecommunications market in Poland is played by the regulators of the Polish telecommunications market, including in particular the President of the Office of Electronic Communications (UKE). The President of UKE has a number of regulatory and supervisory powers, including with respect to provision of electronic communications services and managing radio frequency and orbital slot resources. If the President of UKE determines that a relevant market is not sufficiently competitive, the President may designate one or more telecommunications providers as a provider with significant market power (SMP) in such market and impose on such provider(s) certain regulatory obligations, such as an obligation to accept requests from other telecommunications providers for the provision of telecommunications access and the obligation to prepare and submit a draft framework offer for telecommunications access to serve as a basis for cooperation between a provider with SMP and its competitors. Polkomtel has been designated as holding SMP in certain relevant markets at the wholesale level. As a result, Polkomtel is required to meet strict regulatory obligations in the following markets: (i) call termination to a public mobile telecommunications network; (ii) SMS termination to a public mobile telecommunications network; and (iii) call termination to a public fixed line network. As part of its continued provision of telecommunications services in Poland, Polkomtel is also regularly reviewed by the President of UKE to ensure that it has complied with the terms of the licences and frequency allocations granted to by the President of UKE. If the President of UKE was to declare that Polkomtel breached a provision of the Telecommunications Law, the company could be forced to pay a fine of up to 3% of the revenue it generated in the year prior to the imposition of the fine and it could be prohibited from providing further telecommunications services in Poland. In addition, the President of UKE may also designate one or more network operators to guarantee the provision of universal services (including voice and broadband access, and subscriber network access) which may then apply to the President of UKE to be compensated by the other telecommunications operators, including Polkomtel, on the justified net costs basis.

The Minister of Administration and Digital Technology, responsible for telecommunications, also exercises broad regulatory authority over the telecommunication market in Poland. The powers of the Minister of Administration and Digital Technology include the power to issue regulations concerning, among other things, tenders and contests for the allocation of frequencies, charges for using the domestic numbering plan, the telecommunications charge, specific requirements for the provision of telecommunications access and regulatory accounting and calculations of costs of services, as well as the quality of telecommunications services and the complaint process therefore. Polkomtel's operations are also supervised by the President of the Office of Competition and Consumer Protection, Inspector General for the Protection of Personal Data, and other agencies.

No assurance can be given that Polkomtel will be able to meet all the requirements that have been or might be imposed on it under the Polish or EU laws or regulations, or all the terms and conditions of the frequency allocations granted to Polkomtel, or that it will be able to comply with all the laws or terms of frequency allocations applicable to its business, and that it will not be exposed to costs, penalties, sanctions or claims as a results potential violation of such requirements or laws that, in turn, could have a material adverse effect on our business, financial condition, results of operations and prospects.

No assurance can be given that we will not breach any personal data protection laws or regulations, or that it will not fail to meet requirements imposed by the Inspector General for the Protection of Personal Data

As part of our activities, we collect, store and use subscriber data which is subject to legal protection under the Act on Personal Data Protection. Ineffectiveness of the personal data protection solutions applied by us may lead to disclosure of customers' personal data as a result of a human error, premeditated unlawful act by a third party or failure of IT systems, or may otherwise lead to improper use of such data. Any infringement of the personal data protection laws or regulations, or any failure to comply with the requirements imposed by the Inspector General for the Protection of Personal Data may result in fines being imposed on us or in loss of customer confidence, and consequently may have a material adverse effect on our business, financial condition, results of operations or prospects.

We use third-party suppliers and cooperates with external partners, agents, suppliers and other third parties, and therefore it is not able to eliminate the risk of failure of the systems used to store sensitive information at, or transfer such information to or from, such entities. Any infringement of the personal data protection laws or regulations by us or by these entities may result in the imposition of fines, loss of reputation or loss of customers, and in effect have a material adverse effect our business, financial condition, results of operations or prospects.

Our broadcasting licences may be revoked or may not be renewed

Our business requires that we obtain licences issued by the National Broadcasting Council (KRRiT). These licences may be revoked or may not be renewed. In our segment of services to individual and business customers, broadcasting of TV programmes by DTH service providers requires no licence, only registration by the Chairperson of KRRiT. At the date of this report, we hold six terrestrial broadcasting licences and more than ten satellite broadcasting licences. All TV broadcasting licences issued by KRRiT are issued for definite periods. Our terrestrial TV broadcasting licences and satellite broadcasting licences will expire at various times between 2015 and 2030.

Our mobile pay TV services use the 470–790 MHz band, which has been allocated to us for a definite term. There can be no assurance that this allocation will be extended prior to its expiry. In particular, pursuant to the Telecommunications Law, our frequency allocation may not be extended or may be revoked by the President of UKE in case of a gross breach of the terms of its use, or if revocation of the frequency allocation follows from the necessity to ensure equal and effective competition or substantially better use of frequencies, especially if the extension of the allocation would lead to excessive frequency concentration within the Group.

To maintain the frequency allocations, the Group must comply with the terms of the allocation, as well as relevant laws and regulations introduced by the President of UKE and the Minister of Administration and Digital Technology. Any breach of those terms, laws or regulations by the Group, including in particular failure to pay frequency allocation fees, may cause the allocation to be revoked and penalties to be imposed on the Group. In particular, given that the regulations and laws governing the Polish telecommunications industry are very complex and change often, there can be no assurance that the Group will not breach any laws or regulations related to frequency allocation or any terms of such allocation.

To keep our TV broadcasting licences, we must comply with the applicable laws and the terms and conditions of the licences. Failure to comply with the applicable laws or breach of the terms and conditions of a broadcasting licence, especially with respect to the period within which we must commence broadcasting of a channel, could lead to the licence being revoked or a fine being imposed on us. Our broadcasting licences may also be revoked if we are found to be conducting activities in violation of the applicable laws or the terms and conditions of our broadcasting licences, or we fail to remedy such violation within the applicable grace period. In addition to licence revocation, there is also a risk that licences granted by KRRiT will not be renewed.

If any of our broadcasting licences or the Group's frequency allocation is not extended, is revoked or extended on unfavorable conditions, the Group may be forced to suspend the provision of some services temporarily or permanently, may be unable to offer services based on a particular technology or may have to incur substantial expenditure, all of which may have a material adverse effect on our business, financial condition, results of operations or prospects.

Polkomtel's current frequency allocations may be revoked or may not be renewed on acceptable terms or at all

All frequency allocations have been issued to Polkomtel for a definite term. There can be no assurance that Polkomtel's frequency allocations will be extended prior to their expiry. In particular, pursuant to the Telecommunications Law, Polkomtel's frequency allocation may not be extended or may be revoked by the President of UKE in case of a gross breach of the terms of its use, or if revocation of the frequency allocation follows from the necessity to ensure equal and effective competition or substantially better use of frequencies, especially if the extension of the allocation would lead to excessive frequency concentration at Polkomtel or within the group to which Polkomtel belongs.

To maintain the frequency allocations, Polkomtel must comply with the terms of the allocation, as well as relevant laws and regulations introduced by the President of UKE and the Minister of Administration and Digital Technology. Any breach of those terms, laws or regulations by Polkomtel, including in particular failure to pay frequency allocation fees, may cause the allocation to be revoked and penalties to be imposed on Polkomtel. In particular, given that the regulations and laws governing the Polish telecommunications industry are very complex and change often, there can be no assurance that Polkomtel will not breach any laws or regulations related to frequency allocation or any terms of such allocation.

If any of Polkomtel's frequency allocations is not extended, is revoked or extended on unfavorable conditions, Polkomtel may be forced to suspend the provision of some services temporarily or permanently, may be unable to offer services based on a particular technology or may have to incur substantial expenditure, all of which may have a material adverse effect on our business, financial condition, results of operations or prospects.

The spectrum of radio frequencies available to the mobile phone industry is limited and therefore Polkomtel may not be able to obtain new frequency allocations

The ability to maintain existing and implement new or improved mobile technologies and Polkomtel's ability to successfully compete on the telecommunications services market partly depends on Polkomtel's ability to obtain further radio frequency resources. The size of the spectrum of radio frequencies available for allocation in Poland is limited, and the process of obtaining allocations is long and very competitive.

Following the analogue TV switch-off in 2013, certain frequency resources became available within the "digital dividend"; in February 2013, following an auction for frequencies in the 1800 MHz band, the frequencies were allocated to T-Mobile and P4. In addition, on December 30th 2013, a notice on auction for frequency allocation in the 800 MHz and 2600 MHz bands was published. On February 11th 2014, the President of UKE cancelled the auction; on April 4th 2014, the President of UKE opened a new stage of consultations on a new auction for those frequencies. At the date of this report, the final terms of the auction, its date, or a list of parties interested in participating in the auction are not known.

There can be no assurance that Polkomtel will be able to obtain access to sufficient additional radio frequencies or that it will obtain such access on favorable terms. In particular, there can be no assurance that Polkomtel will obtain access to any additional radio frequencies in the upcoming auction for frequency allocation in the 800 MHz and 2600 MHz bands, or that as a result of that auction Polkomtel will obtain access to a sufficient portion of the frequency band allowing it to provide telecommunications services of sufficient quality to successfully compete with the mobile telecommunications network operators that obtain access to the remaining frequencies.

Polkomtel's inability, or limited ability, to obtain access to frequency bands important for further development of Polkomtel's operations (on favorable terms or at all), including maintaining the existing or implementing new or improved mobile technologies, or obtaining such access by competitors can have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

We may not be able to realize the benefits expected from acquisition of Metelem Holding Company Limited or from future acquisitions

The success of the acquisition of Metelem Holding Company Limited, a company which indirectly controls Polkomtel , will depend, inter alia, on our ability to successfully implement our strategy which assumes integration of our business processes to achieve significant cost and revenue synergies. The transaction will result in significant expansion of our operations, and therefore we intend to take steps to integrate business processes of Metelem's subsidiaries within our enlarged capital group. If we are unable to achieve all or some of our objectives, the benefits of the Transaction, including the expected revenue and cost synergies, might differ from what has been originally planned, may not be fully realised, may not be realised at all, or may take longer to be fully realised.

We cannot rule out that the post-Transaction integration of our business processes may lead to the loss of our key staff, interruption of day-to-day operations in our current business segments, or inconsistencies in our standards, procedures and policies, which could affect our ability to continue good relations with our employees and third parties or to fully realise the potential benefits of the Transaction. In particular, in order to achieve the expected objectives of the transaction, we must identify and optimise certain areas of our business and certain assets across our organisation. Our inability to realise the expected benefits of the transaction fully or at all, or any delays in the integration process may have a significant adverse effect on our business. The integration process may also bring about additional unexpected expenses, while the expected benefits of the integration process may not be achieved. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

19. Risk factors associated with the Group's financial profile

The servicing of our debt is very cash-intensive, and our debt servicing liabilities may impair our ability to finance the Group's business

Our Group uses large financial leverage. In the past, debt servicing and other cash requirements were financed with cash flows from operating activities and revolving credit facilities. Our debt servicing liabilities increased significantly following the acquisition of Telewizja Polsat and Metelem Holding Company Limited and completion of the related financial transactions.

Our ability to service and repay debt depends on future results of our operations and our ability to generate sufficient cash flows to pay these and other liabilities, which in turn depends, to a significant extent, on the general economic climate, financing terms, market competition, acts of law and secondary legislation, and a number of other factors which are often outside of our control. If our future operating cash flows and other capital resources prove insufficient to repay our liabilities as they fall due or cover our liquidity requirements, we may lose our property, plant and equipment which serve as security for the repayment of our debts, or we may be forced to (i) restrict or postpone certain business and investment projects; (ii) sale of assets; (iii) incur more debt or raise new capital; or (iv) restructure or refinance our debts, in part or in full, at or prior to their maturity. The terms and conditions of our debts limit our ability to take the above measures. Therefore, we cannot guarantee that they will be taken on commercially reasonable terms, or at all, if need arises.

Also, the refinancing of our debt on unfavorable market terms would require us to pay higher interest rates or observe more stringent covenants, which could further restrict our business activity. If our debt financing increased, the related risks would also increase. Moreover, any significant adverse change in financial market liquidity, resulting in tighter lending terms and debt or equity financing constraints, may restrict our access to financing sources and increase our borrowing costs, which could significantly affect our ability to achieve and manage liquidity, raise additional capital, or restructure or refinance our existing debt.

Our facilities agreements and notes indentures provide for a number of restrictions and obligations (including maintaining specified financial ratios), limiting the Group's ability to incur new debt for financing future operations or to pursue business opportunities and activities that may be in our interest.

If our debts are not repaid in accordance with the underlying agreements, then those debts, as well as other liabilities incurred under other agreements or debt instruments, which include cross-default or cross-acceleration clauses, may become immediately payable, and we may not have sufficient funds to repay all our liabilities. Our inability to generate sufficient cash flows to service our debt, or to restructure or refinance it on commercially reasonable terms (or at all), may have a material adverse effect on our business, financial condition, results of operations or prospects.

Moreover, we may need to incur a significant amount of new debt in the future. In particular, the terms and conditions of the Senior Facilities Agreement impose certain limitations on, but do not prohibit us from, incurring new debt or other liabilities. In particular, a high level of debt may (i) limit our ability to repay our liabilities under the Senior Facilities Agreement, or other liabilities; (ii) require us to apply a considerable portion of operating cash flows towards debt repayment, restricting the availability of cash used to finance our investment activities, working capital, and other corporate needs and business opportunities; (iii) reduce our competitiveness relative to other market players with lower debt levels; (iv) affect our flexibility in business planning or responding to the overall unfavorable economic conditions or to specific adverse developments in our sector; and (v) impair our ability to borrow new funds, increase our borrowing costs and/or affect our equity financing capacity. In consequence, any additional debt would further reduce our ability to secure external financing for our operations, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

We might be unable to refinance our existing debt, secure favorable refinancing terms, or raise capital to finance new projects

We are exposed to risks related to debt financing, including the risk that the debt will not be repaid, extended, or refinanced at maturity, or that the terms of such extension or refinancing will be less favorable. In the future, we may need to increase our share capital if our operating cash flows are insufficient to ensure financial liquidity or fund new projects. Depending on our capital requirements, market conditions, and other factors, we may be forced to seek additional sources of financing, such as debt instruments or a share offering. If we are unable to refinance our debts on reasonable terms, or at all, we may be forced to sell our assets on unfavorable terms, or to restrict or suspend certain activities, which could have a material adverse effect on our financial condition and performance. Our inability to secure external financing could force us to abandon new projects, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

We might be unable to repay our debts if control of the Company changes

In the event of a change of control of the Company within the meaning of the Senior Facilities Agreement and PLK Senior Facilities Agreement, we are under the obligation to repay our liabilities under both agreement. Moreover, if a change of control takes place, our ability to repay our debt will be limited by the level of available funds at the time. There can be no assurance that those funds will be sufficient to repay outstanding debts. In view of the above, we beleive that in the case of change of control over the Company, we would require additional financing in order to repay the debt.

Furthermore, limitations arising from our contract obligations could make it impossible for us to repay the credit facilities or secure external financing if events constituting a change of control actually occur. Any breach of those limitations may lead to a default under other contracts and acceleration of other debts, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

20. Risk factors associated with the legal and regulatory environment

The complexity, lack of clarity, and frequent amendments of Polish tax laws may lead to disputes with tax authorities

Tax laws in Poland are complex, unclear and subject to frequent and unpredictable changes. Therefore, the application of tax regulations by taxpayers and tax authorities gives rise to controversies and disputes, which are usually finally settled by administrative courts.

Frequent amendments to the tax framework and difficulties in interpreting tax laws applied in practice hinder our day-to-day work and smooth tax planning. This creates uncertainty as to the application of tax regulations in our everyday business and makes it error-prone. In addition, tax laws are often interpreted and applied by tax authorities in an inconsistent manner.

Moreover, there are discrepancies between the way tax authorities apply tax laws in practice and in rulings of administrative courts. There is a risk that tax interpretations and decisions issued by competent authorities may be unpredictable or even contradictory.

Given that Polish tax laws are frequently amended, and that such amendments can be retroactively applied in practice, are inconsistent and lack uniform interpretation, and considering relatively long limitation periods applying to tax liabilities, the risk of misapplication of tax laws in Poland may be greater than in the legal systems of more developed markets. Accordingly, there is a risk that we may fail to bring certain areas of our activity in compliance with the frequently amended tax laws and the ever-changing practice of their application. Therefore, no assurance can be given that there will be no disputes with tax authorities, and, consequently, that tax authorities will not question the correctness of the Group companies' tax settlements on non-statute-barred tax liabilities (including conformity with the taxpayer's obligations), and will not determine the existence of tax arrears of such Group companies. Any unfavorable decisions, interpretations (including changes to any interpretations obtained by the Group companies) or rulings by tax authorities may have a material adverse effect on our business, financial condition, results of operations or prospects.

Tax authorities may question the accuracy of intra-Group and related-party settlements under applicable transfer pricing regulations

In the course of their business, the Group companies enter into transactions with their related parties within the meaning of the Corporate Income Tax Act. Related-party transactions, which guarantee that the Group's business is run efficiently, include inter-company rendering of services and sale of goods. When entering into and performing related-party transactions, the Group companies take steps to ensure that terms and conditions of such transactions are consistent with the applicable transfer pricing regulations. At the same time, no assurance can be given that the Group companies will not be subjected to audits and other inspections by tax authorities and tax inspection bodies with respect to the foregoing. The nature and diversity of transactions with related-parties, the complexity and ambiguity of the regulations governing methods of verifying the prices applied, dynamic changes in market conditions affecting the calculation of prices applied in such transactions, as well as the difficulty in identifying comparable transactions, the risk that the methodology used to determine arm's-length terms for the purpose of such transactions is questioned by tax authorities cannot be excluded, and therefore tax authorities may question the accuracy of settlements between the Group companies and their related parties under applicable transfer pricing regulations, which may have material adverse effect on our business, financial condition, results of operations or prospects.

Assessment of tax effects of the Group's restructuring activities by Polish tax authorities may differ from assessment of such activities by the Group

The current composition of the Group is a result of consolidation, restructuring and other transactions involving assets of considerable value, implemented over the recent years by and between the Group's companies. Those activities had an effect on the tax settlements not only of the companies directly involved in such consolidation, restructuring and other transactions involving assets of considerable value, but also of their respective members or shareholders.

Despite monitoring the risk in individual business areas, with respect to completed and planned restructuring activities, no assurance can be given that Polish tax authorities will not have a different assessment of tax effects of individual restructuring events and transactions, both completed and planned, in particular with respect to the possibility, manner, and timing of the recognition of income and tax-deductible expenses by entities participating in such events and transactions, or that financial terms of such activities will not be questioned, which may have a material adverse effect on our business, financial condition, results of operations or prospects.

Tax regime applicable to our operations and the sector in which we operate create numerous uncertainties

The tax regime applicable to transactions and events typical for our operations and the sector in which we operate are a source of numerous interpretation uncertainties. In particular, there is uncertainty as to the interpretation of income tax laws with respect to the possibility, manner, and timing of recognition of income and tax-deductible expenses on individual transactions and events and the requirements for their documentation. Also VAT legislation is characterised by vague and complex regulations, particularly where it concerns goods and services subject to the tax, the tax rate, tax base or time at which the tax liability arises with respect to transactions subject to VAT. Further, Polish tax legislation does not provide unequivocal rules regarding imposition of other taxes, including property tax (in particular with respect to the determination of tax base and taxable property) and custom duties.

Given that Polish tax laws are frequently amended, inconsistent, and lack uniform interpretation, and considering the relatively long limitation periods on tax liabilities, there is a risk that our selected operations may not be harmonised with the changing legal (including tax) regulations and their changing application.

Despite monitoring the risk in individual business areas, there can be no guarantee that disputes with tax authorities regarding assessment of tax effects of individual events and transactions typical for our operations and the sector in which we operate will not occur, and consequently that the tax authorities will not question the correctness of tax settlements on non-statute-barred tax liabilities of Polsat Group entities (including proper performance of taxpayer's obligations), and will not determine the existence of tax arrears of these entities. There is also a risk that tax authorities may question financial terms of individual events and transactions. This may have a material adverse effect on our business, financial condition, results of operations or prospects.

Property tax laws give rise to numerous interpretation uncertainties

Polkomtel uses a significant number of telecommunications infrastructure facilities located on real property. Property tax laws give rise to numerous interpretation uncertainties, in particular with respect to the tax base and the determination of items subject to tax. The definition of a structure and its practical use under the Local Taxes and Charges Act might lead to disputes with tax authorities. Therefore, no assurance can be given that there will be no disputes between Polkomtel and tax authorities as to the amount of the property tax payable, as well as unfavorable rulings in this respect.

The ongoing work on amendments to the Local Taxes and Charges Act aim in particular at clarifying the definitions of a building and of a structure under the act. Given the early stage of the legislative process, the final amendments remain unknown. Please note, however, that the intended amendments to the act (in particular with respect to the tax base and the determination of items subject to property tax) may affect the amount of property tax payable for the telecommunications infrastructure facilities used by Polkomtel.

Such circumstance may have a material adverse effect on Polkomtel's business, financial condition, results of operations and prospects.

The Group's companies are subject to legal regulations (including tax legislation) in force in the countries in which they operate

Given the international character of the Group, its companies are governed by legal regulations (including tax legislation) in force in the countries in which they operate. Therefore, in view of such dissimilar legal frameworks, there is a risk that the Group will interpret local legal regulations (including tax legislation) in a way which is divergent from their construction by the country's tax authorities. The diversity of legal regulations by which individual companies are bound may give rise to internal problems within the Group, including with respect to the law governing legal relations between the Group's entities. Another aspect of the relationship between Polsat Group companies which may raise doubts is the application and interpretation of double-tax treaties concluded between countries in which the companies operate.

At the same time, in many cases the legal regulations (including tax legislation) in countries where the Group conducts its business are frequently ambiguous and there is no single or uniform interpretation or practice followed by local tax authorities. Additionally, such countries' tax legislation (including the provisions of applicable double-tax treaties) may be subject to change. The practice adopted by tax authorities in respect of particular tax regulations may change as well, even retroactively.

Therefore, no assurance can be given that there will be no disputes with tax authorities in countries where the Group conducts its business, and consequently that the tax authorities will not question the correctness of the Group companies' tax settlements on non-statute-barred tax liabilities, and will not determine the existence of tax arrears of such Group companies, which may have an adverse effect on our business, financial condition, results of operations or prospects.

There can be no assurance that in the future the President of the Polish Office of Competition and Consumer Protection (UOKiK) will not deem the practices we use as limiting competition or violating the Polish consumer protection laws

Our operations are reviewed by UOKiK to ensure that we comply with Polish laws prohibiting practices that limit competition or violate the collective interests of consumers, including providing inaccurate information to customers, dishonest market practices or use of abusive contract clauses. In addition, the President of UOKiK and natural persons can bring court actions against us to determine whether our standard consumer contracts contain any abusive clauses. If a court finds any of our practices or contract terms to be misleading or in conflict with Polish competition and consumer protection laws, we may be subject to fines and our reputation could be harmed. In addition, if any clauses in our standard consumer contracts are considered abusive by UOKiK, they will be entered in the Register of Abusive Contract Clauses maintained by the President of UOKiK and their application will be no longer possible, which will require amendment to our standard contracts.

If the President of UOKiK determines that any of our practices had the effect of limiting competition or violating consumer rights, we could be required to discontinue the unlawful practice. In addition, the President of UOKiK could impose on us a cash fine of up to 10% of our revenue generated in the financial year immediately preceding the year in which the fine is imposed. Moreover, if we, even unintentionally, fail to provide the President of UOKiK with the required information or provide misleading information, a fine of up to EUR 50 million may be imposed on us.

Any decisions by the President of UOKiK or by appeals bodies confirming our infringement could also result in claims for damages by consumers, contractors and competitors. The potential amount of such claims is difficult to assess but may be significant. In addition to proceedings pending before the President of UOKiK, consumers can bring court actions against us, claiming that certain provisions of our standard cusotmer contracts violate consumer protection laws. If any of our practices or contract terms are deemed to be misleading or in conflict with Polish consumer protection laws, we may be subject to fines and our reputation could be harmed, which could have a material adverse effect on our business, financial condition, results of operations and prospects..

In addition, expansion of consumer protection legislation, including a newly introduced act that allows for "group claims", could increase the scope or scale of our potential liability or the scope of consumer rights. For example, there has been an extension of the range of situations in which customers are entitled to terminate their agreements without obligation to pay any contractual penalty. This may happen, among others, in the event of changes in the terms and conditions of agreements even if such amendment is in customers' favor. Such early terminations of agreements with our customers may result in a significant increase in our subscriber retention costs and churn rate. Such events may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be adversely affected by changes in Polish and European Union regulation of the levels of MTR and roaming charges

As part of telecommunications market regulation in Poland, the President of UKE may determine MTR between telecommunications operators. In recent years, the regulator has used this power several times, and reduced MTR's. As a result of decisions of the President of UKE, voice MTRs were reduced by 74% in the period from January 2010 to July 2013. There can be no assurance that there will not be any further MTR reductions in the future, which may directly affect our financial performance.

Polkomtel's roaming rates are also regulated. European Union regulators have also imposed price restrictions applicable to all operators in the European Union (both at the retail and wholesale level) At present, the roaming rates in the EU are regulated by the Regulation (EU) No. 531/2012 of June 13, 2012, which foresees further cuts in roaming rates as of July 1, 2014. The proposal for regulation on unified telecommunications market foresees complete removal of roaming charges in the EU. On April 3, 2014, the European Parliament approved the draft regulation. In line with the schedule adopted by the European Parliament, the final draft of the proposal should be approved by the Member States by the end of 2014. The new regulations are expected to take effect in December 2015. Reduction or removal of roaming charges in the EU may have an adverse effect on our revenue, and consequently on its performance and financial standing.

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, August 27, 2014

GLOSSARY

General terms

Term	Definition
Argumenol	Argumenol Investment Company Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus
B2B	Business to Business, a transaction between businesses.
B2C	Business to Consumer, a transaction between a business and a consumer.
Copyright Law	Copyright and Neighboring Rights Act of February 4, 1994 (consolidated text in Dz. U. of 2006, No. 90, item 631, as amended).
CP Finance, Cyfrowy Polsat Finance	Cyfrowy Polsat Finance AB (publ), a company under Swedish law, registered under No. 556842-4435.
CPT	Cyfrowy Polsat Technology spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000254220. Deleted from the register following its acquisition by Cyfrowy Polsat.
Cyfrowy Polsat, the Company	Cyfrowy Polsat Spółka Akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000010078.
Cyfrowy Polsat Trade Marks CPTM	Cyfrowy Polsat Trade Marks spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000373011.
EBRD	European Bank for Reconstruction and Development, an international organization established by virtue of a treaty signed on May 29, 1990 in Paris, having its registered office in the United Kingdom of Great Britain and Northern Ireland.
Eileme 1	Eileme 1 AB (publ), a company under Swedish law, registered under No. 556854-5668.
Eileme 2	Eileme 2 AB (publ), a company under Swedish law, registered under No. 556854-5676.
Eileme 3	Eileme 3 AB (publ), a company under Swedish law, registered under No. 556854-5692.
Eileme 4	Eileme 4 AB (publ), a company under Swedish law, registered under No. 556854-5684.
Eileme Companies	Jointly Eileme 1, Eileme 2, Eileme 3 and Eileme 4.
Environmental Protection Law	Environmental Protection Law of April 27, 2001 (consolidated text in: Dz. U. of 2008, No. 25, item 150, as amended).
the Group, Polsat Group, Cyfrowy Polsat Group	Cyfrowy Polsat and the indirect and direct subsidiaries of the Company.
IFRS	The International Accounting Standards, International Financial Reporting Standards and the related Interpretations by the Standing Interpretations Committee and International Financial Reporting Interpretations Committee, adopted pursuant to Commission Regulation (EC) No. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council (OJ L 320/1 of November 29, 2008, as amended), as defined in Art. 2 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (OJ L 243/1 of September 11, 2002, as amended).
Investment Agreements	Jointly the Investment Agreement of November 14, 2013 made by Cyfrowy Polsat with Argumenol Investment Company Limited, Karswell Limited and Sensor Overseas Limited and Investment Agreement of December 19, 2013 made by Cyfrowy Polsat with Argumenol Investment Company Limited, Karswell Limited Sensor Overseas Limited, and the EBRD.
Karswell	Karswell Limited, a company under Cypriot law with its registered office in Nicosia, Cyprus
KRRiT	Krajowa Rada Radiofonii i Telewizji, National Broadcasting Council.
LTE Group	Litenite Limited, a company under Cypriot law, registered under No. 240249 and the indirect and direct subsidiaries of Litenite.
Metelem	Metelem Holding Company Limited, a company under Cypriot law, registered under No. 286591, indirectly controlling 100% shares in Polkomtel.
Metelem Group	Metelem jointly with the following companies: Eileme 1, Eileme 2, Eileme 3, Eileme 4, Polkomtel, Nordisk Polska, Liberty Poland, Polkomtel Finance, Polkomtel Business Development, Plus TM Group SKA, Plus TM Group, LTE Holdings, and Plus TM Management.

Term	Definition
Metelem Shareholders	Karswell Limited of Cyprus, Sensor Overseas Limited of Cyprus, Argumenol Investment Company Limited of Cyprus and the EBRD.
Mobyland	Mobyland spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000269979.
Orange	Orange Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000010681, previously operating under the name of Telekomunikacja Polska Spółka Akcyjna.
P4	P4 spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000217207.
PIK Notes Indenture	The PIK Notes Indenture of February 17, 2012, between Eileme 1, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PIK Notes	Pay-in-kind notes with a total initial nominal amount of USD 201 million, maturing in 2020, issued by Eileme 1.
PLK Senior Notes Indenture	PLK Senior Notes Indenture of January 26, 2012 between Eileme 2, Eileme 3, Eileme 4, Spartan, Ortholuck, Citibank, N.A., London Branch, Citibank, N.A., New York Branch, and Citigroup Global Markets Deutschland.
PLK Senior Notes	Senior notes with a total nominal amount of EUR 542.5 million and USD 500 million, maturing in 2020, issued by Eileme 2.
PLK Senior Facilities Agreement	The Senior Facilities Agreement of June 17, 2013 between Eileme 2, Eileme 3, Eileme 4, Polkomtel and subsidiaries, and a syndicate of banks.
PLK Term Loans	The Term Facility Loans A, B and C issued under the PLK Senior Facilities Agreement of up to PLN 2.65 billion, PLN 3.3 billion and PLN 1.7 billion with maturity dates 2017, 2018 and 2019, respectively.
PLK Revolving Facility Loan	The multicurrency revolving facility loan of up to PLN 300 million, issued under the PLK Senior Facilities Agreement, whose final repayment date is 2017.
Plus Bank	Plus Bank Spółka Akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. 0000096937.
Plus TM Group	Plus TM Group spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 373023, previously operating under the name of Once 2 spółka z ograniczoną odpowiedzialnością.
Plus TM Group SKA	Plus TM Group spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 474497, previously operating under the name of Cinco spółka z ograniczoną odpowiedzialnością – XXI – spółka komandytowo-akcyjna.
Plus TM Management	Plus TM Management spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 378997.
Pola	Pola Investments Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
Polish Energy Law	Polish Energy Law of April 10th 1997 (consolidated text in Dz. U. of 2012, item 1059).
Polkomtel	Polkomtel spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. 0000419430. The company was established following the transformation of Polkomtel Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000020908.
Polkomtel Business Development	Polkomtel Business Development spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 377416.
Polkomtel Finance	Polkomtel Finance AB (publ), a company under Swedish law, registered under No. 556807-4594.
Polkomtel Group	Polkomtel jointly with the following companies: Nordisk Polska, Liberty Poland, Polkomtel Finance, Polkomtel Business Development, Plus TM Group SKA, Plus TM Group, LTE Holdings, and Plus TM Management.
Polsat Media Biuro Reklamy	Polsat Media Biuro Reklamy spółka z ograniczoną odpowiedzialnością sp.k. entered in the register of entrepreneurs of the National Court Register under entry No. 0000467579.
Polskie Media	Polskie Media Spółka Akcyjna, previously entered in the register of entrepreneurs of the National Court Register under entry No. 0000049216. On December 31, 2013 Polskie Media merged with Telewizja Polsat.

Term	Definition
Redefine	Redefine spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000287684.
Revolving Facility Loan	The multi-currency revolving facility loan of up to the equivalent of PLN 500 million, issued under the New Senior Facilities Agreement, whose final repayment date is April 11, 2019.
Shares	Shares of Cyfrowy Polsat S.A. admitted to trading on the Warsaw Stock Exchange in Warsaw S.A.
Senior Facilities Agreement	The Senior Facilities Agreement of April 11, 2014 between the Company, Telewizja Polsat, CPTM, Polsat License Ltd. and Polsat Media, and a syndicate of Polish and foreign banks, covering the Term Facility Loan and the Revolving Facility Loan.
Senior Notes	Senior secured notes with a value of EUR 350 million, bearing interest at a rate of 7.125%, issued by Cyfrowy Polsat Finance in 2011, redeemed in full in 2014.
Sensor	Sensor Overseas Limited, a company under Cypriot law, with its registered office in Nicosia, Cyprus.
Telecommunications Law	Telecommunications Law of July 16, 2004 (Dz. U. of 2004, No. 171, item 1800, as amended).
Telewizja Polsat, TV Polsat	Telewizja Polsat spółka z ograniczoną odpowiedzialnością, entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000388899. The company was established following the transformation of Telewizja Polsat Spółka Akcyjna, which was entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000046163.
Telewizja Polsat Group	Telewizja Polsat together with its direct and indirect subsidiaries.
Term Loan	The term facility loan of up to PLN 2.5 billion, issued under the Senior Facilities Agreement, whose final repayment date is April 11, 2019.
TiVi Foundation	TiVi Foundation, a family foundation of Kirchstrasse 12, 9490 Vaduz, Liechtenstein.
T-Mobile	T-Mobile Polska Spółka Akcyjna, entered in the register of entrepreneurs of the National Court register under entry No. KRS 0000391193, previously operating under the name of Polska Telefonia Cyfrowa Spółka Akcyjna.

Technical terms

Term	Definition
2G	Second-generation cellular telecommunications networks commercially launched on the GSM standard in Europe.
3G	Third-generation cellular telecommunications networks that allow simultaneous use of voice and data services.
4G	Fourth-generation cellular telecommunications networks.
Add-on sales	Sales technique combining cross-selling and up-selling.
Advertising market share	The Group's revenue from advertising and sponsoring in the overall revenue from TV advertising in Poland (market data according to Starlink).
Audience share	Percentage of TV viewers watching a channel at a given time, expressed as the percentage of all TV viewers at a given time (based on Nielsen Audience Measurement (NAM), in the "from 16 to 49 years old" demographics throughout the day).
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$\mathrm{CAGR} = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
CDMA	A family of mobile telecommunications standards developed by the 3rd Generation Partnership

Term	Definition
	Project 2, comprising e.g. CDMAOne and CDMA2000. CDMA is mainly used for data transmission services in rural areas. Its maximum transmission speed is 3.1 MB/s. CDMA also supports direct communication between user terminals and restriction of access to selected devices, and the technology is therefore used for digital trunked communications.
Churn	Termination of the contract with Customer by means of the termination notice, collections or other activities resulting in the situation that after termination of the contract the Customer does not have any active service provided in the contract model. Churn rate presents the relation of the number of customers for whom the last service has been deactivated (by means of the termination notice as well as deactivation as a result of collection activities or other reasons) within the last 12 months to the annual average number of customers in this 12-month period.
Contract ARPU	Average monthly revenue per customer generated in a given settlement period (including interconnect revenue)
Converged (integrated) services	A package of two or more services from our pay TV, mobile telecommunications and broadband Internet access offering, provided under a single contract and for a single subscription fee.
Customer	Natural person, legal entity or an organizational unit without legal personality who has at least one active service provided in a contract model.
DTH	Satellite pay TV services provided by us in Poland from 2001.
DTT	Digital Terrestrial Television.
DVB-T	Digital Video Broadcasting – Terrestrial technology.
EDGE	Cellular telecommunications technology supporting faster data transmission as a backward-compatible extension of the 2G network. EDGE increases the capacity of the radio interface and ensures more convenient use of data transmission services. Its maximum design speed is nearly 1 Mb/s (Enhanced Data rates for GSM Evolution).
ERP	A family of IT systems supporting enterprise management or shared operation of a group of collaborating enterprises through data collection and enabling transactions on the collected data (enterprise resource planning).
GB	Gigabyte – a measure of digital information, comprising one billion bytes, or 1024^3 bytes, depending on the interpretation – decimal or binary, respectively.
GPRS	Mobile data transmission service for GSM users (General Packet Radio Service).
GRP	A rating point defined as the overall number of persons viewing a given advertising spot over a specific time, expressed as a percentage share of the target group. In Poland, one GRP equals 0.2 million residents in the primary target group for advertisers aged 16-49 (Gross Rating Point).
GSM	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols, in particular regarding access to voice services (Global System for Mobile Communications).
GSM-1800	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 1800 MHz bands, in particular regarding access to voice services.
GSM-900	A standard developed by the European Telecommunications Standards Institute, which designates 2G cellular telecommunications network protocols in the 900 MHz bands, in particular regarding access to voice services.
HD	Above-standard resolution signal (High Definition).
HSPA/HSPA+	Radio data transfer technology for wireless networks, increasing the capacity of the UMTS network (High Speed Packet Access/High Speed Packet Access Plus). It also covers the HSPA+ Dual Carrier technology (Evolved High Speed Packet Access Dual Carrier). It supports transmission speeds of up to 42 Mb/s for download and up to 5.7 Mb/s for upload.
Interconnect revenue	Wholesale revenue for terminating voice and non-voice traffic on Polkomtel's network from other network operators based on interconnect agreements as well as revenue from transit of traffic.
IPLA	Internet platform providing access to video content, operated by Redefine Group.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).

Term	Definition
IVR	A telecommunications system enabling human-computer interaction using voice or tone signals (Interactive Voice Response).
LTE	A standard for faster data transmission for wireless networks (Long Term Evolution). It supports the maximum design transmission speed of 326.4 Mb/s.
Mb/s	A unit of telecommunications channel capacity, being one million or 1024^2 bytes (Megabyte) per second, depending on the interpretation – decimal or binary, respectively.
Mobile TV	Our pay mobile TV service rendered in DVB-T technology;
MTR	A wholesale charge for call termination in another operator's mobile telecommunications network (Mobile Termination Rate).
Multiroom	Our service providing access to the same range of TV channels on two television sets in one household for a single subscription fee.
MUX, Multiplex	A package of TV and radio channels and additional services, simultaneously transmitted digitally to the user over a single frequency channel.
MVNO	Mobile Virtual Network Operator.
Node B	A device for wireless connection between a mobile terminal and a fixed part of the third-generation telecommunications network.
PPV	Services providing paid access to selected TV content (pay-per-view).
Prepaid ARPU	Average monthly revenue per prepaid RGU generated in a given settlement period (including interconnect revenue)
PVR	Electronic commodity hardware for digital recording of TV programmes on its hard drive (Personal Video Recorder).
real users	An estimated number of persons who visit a website or open an Internet application at least once in a given month (Real Users).
RGU (Revenue Generating Unit)	Single, active service of pay TV, Interneet Access or mobile telephony provided in contract or prepaid model.
SD	Standard-resolution television signal (Standard Definition).
SMS	Service enabling the sending of short text messages over telecommunications networks (Short Message Service).
streaming	A technical process initiated by the user, enabling the replaying (of video or audio/video content) of material available on the Internet on the user's terminal device, without it being necessary to download the entire content. The process involves the sending of digital data streams, being sections of the entire content spread over time, instead of the entire material.
Technical coverage	Percentage of households in Poland capable of receiving the broadcast of a given channel by Telewizja Polsat.
UMTS	Globally-used European 3G telecommunications standard based on GSM, enabling the provision of data transmission services with a maximum speed of 384 kb/s (Universal Mobile Telecommunications System).
Usage definition (90-day for prepaid RGU)	Number of reported RGUs of prepaid services of mobile telephony and Internet access refers to the number of SIM cards which received or answered calls, sent or received SMS/MMS or used data transmission services within the last 90 days.
USSD	A protocol used in GSM networks, which enables communication between a mobile phone and a network operator's computer.
Value-added services, VAS	Services offered by telecommunications undertakings and including entertainment, news, location and financial services.
Virtual private network	Network enabling a private connection over a public network (e.g. Internet).
VOD - Home Movie Rental	Our video on demand services
WCDMA	Network access technology developed by 3rd Generation Partnership Project from 1999, and used in UMTS-standard 3G networks (Wideband Code Division Multiple Access).
WiFi	A set of standards for the development of wireless computer networks.

Management Board's representations

Pursuant to the requirements of the *Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a non-member state may be recognised as equivalent* the Management Board of Cyfrowy Polsat S.A. represented by:

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

hereby represents that:

- to the best of its knowledge the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2014 and the comparative information were prepared in accordance with the current effective accounting principles, and they truly and fairly present the financial position of the Group as well as its financial performance, and the semi-annual Management Board’s report on the activities contains a true image of the Group’s development, achievements, and standing, including description of basic risks and threats;

- the entity authorised to audit the financial statements, which has reviewed the interim condensed consolidated financial statements and interim condensed financial statements, was selected in accordance with the regulations of law. That entity as well as the registered auditor who has carried out the review fulfilled the conditions to prepare a review report on the interim condensed consolidated financial statements and interim condensed financial statements for six months ended 30 June 2014 pursuant to relevant provisions of the national law and industry norms.

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, 27 August 2014

Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim consolidated balance sheet of Cyfrowy Polsat S.A. and its subsidiaries (the 'Group') as of June 30, 2014 and the related interim consolidated income statement, interim consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

August 27, 2014,
Warsaw, Poland

PricewaterhouseCoopers Sp. z o.o., Al. Armii Ludowej 14, 00-638 Warszawa, Polska
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CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for the 6 months ended 30 June 2014

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 27 August 2014, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed consolidated financial statements of 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 30 June 2014 showing a net profit for the period of:	PLN 230.3
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2014 to 30 June 2014 showing a total comprehensive income for the period of:	PLN 239.3
Interim Consolidated Balance Sheet as at 30 June 2014 showing total assets and total equity and liabilities of:	PLN 27,827.1
Interim Consolidated Cash Flow Statement for the period from 1 January 2014 to 30 June 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 1,565.4
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2014 to 30 June 2014 showing an increase in equity of:	PLN 6,090.5

Notes to the Interim Condensed Consolidated Financial Statements

The interim condensed consolidated financial statements have been prepared in million 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, 27 August 2014

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

Interim Consolidated Income Statement

	Note	for the 6 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2013 unaudited
Continuing operations			
Revenue	10	2,469.2	1,433.0
Operating costs	11	(1,859.2)	(1,055.3)
Other operating income, net		7.1	2.0
Profit from operating activities		**617.1**	**379.7**
Gain/loss on investment activities, net	12	25.1	4.6
Finance costs	13	(382.1)	(182.5)
Share of the profit of jointly controlled entity accounted for using the equity method		1.3	1.6
Gross profit for the period		**261.4**	**203.4**
Income tax		(31.1)	(27.5)
Net profit for the period		**230.3**	**175.9**
Net profit attributable to equity holders of the Parent		230.3	175.9
Basic and diluted earnings per share (in PLN)		**0.53**	**0.50**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 6 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2013 unaudited
Net profit for the period		**230.3**	**175.9**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	18	11.1	9.1
Income tax relating to hedge valuation	18	(2.1)	(1.7)
Currency translation adjustment		-	(4.3)
Items that may be reclassified subsequently to profit or loss		**9.0**	**3.1**
Other comprehensive income, net of tax		**9.0**	**3.1**
Total comprehensive income for the period		**239.3**	**179.0**
Total comprehensive income attributable to equity holders of the Parent		239.3	179.0

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

Interim Consolidated Balance Sheet - Assets

	Note	30 June 2014 unaudited	31 December 2013
Reception equipment		384.8	407.6
Other property, plant and equipment		3,010.6	251.1
Goodwill	14	11,735.5	2,602.8
Customer relationships		4,482.0	-
Brands		890.8	890.8
Other intangible assets		2,360.6	137.4
Non-current programming assets		128.1	71.6
Investment property		5.3	5.3
Non-current deferred distribution fees		46.2	29.5
Other non-current assets		107.4	20.8
Deferred tax assets		240.5	38.9
Total non-current assets		**23,391.8**	**4,455.8**
Current programming assets		199.1	181.3
Inventories		343.8	146.8
Trade and other receivables	15	1,374.4	374.4
Income tax receivable		28.0	0.2
Current deferred distribution fees		91.2	70.1
Other current assets		221.9	105.4
Short-term deposits		270.0	-
Cash and cash equivalents	16	1,894.3	342.2
Restricted cash		12.6	-
Total current assets		**4,435.3**	**1,220.4**
Total assets		**27,827.1**	**5,676.2**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	Note	30 June 2014 unaudited	31 December 2013
Share capital	17	25.6	13.9
Share premium		7,237.5	1,295.1
Other reserves	18	-	(9.0)
Retained earnings		1,828.6	1,701.2
Equity attributable to equity holders of the Parent		**9,091.7**	**3,001.2**
Non-controlling interests		0.0	0.0
Total equity		**9,091.7**	**3,001.2**
Loans and borrowings	19	8,446.1	239.9
Issued bonds	20	4,286.9	1,340.0
Finance lease liabilities		4.5	0.2
UMTS license liabilities		835.8	-
Deferred tax liabilities		1,010.7	108.1
Deferred income		2.8	4.1
Other non-current liabilities and provisions		158.2	7.9
Total non-current liabilities		**14,745.0**	**1,700.2**
Loans and borrowings	19	1,094.3	246.0
Issued bonds	20	431.9	98.7
Finance lease liabilities		5.3	0.2
UMTS license liabilities		115.8	-
Trade and other payables	21	1,618.8	413.2
Income tax liability		43.7	4.5
Deposits for equipment		2.6	2.7
Deferred income		678.0	209.5
Total current liabilities		**3,990.4**	**974.8**
Total liabilities		**18,735.4**	**2,675.0**
Total equity and liabilities		**27,827.1**	**5,676.2**

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

Interim Consolidated Cash Flow Statement

		for the 6 months ended	
	Note	30 June 2014 unaudited	30 June 2013 unaudited
Net profit		**230.3**	**175.9**
Adjustments for:		**505.4**	**176.0**
Depreciation, amortization, impairment and disposal	11	373.8	123.0
Payments for film licenses and sports rights		(148.9)	(122.5)
Amortization of film licenses and sports rights		85.1	102.4
(Gain)/loss on sale of property, plant and equipment and intangible assets		(0.7)	0.1
Cost of programming rights sold		0.1	5.8
Interest expense		248.5	93.4
Change in inventories		(41.8)	4.5
Change in receivables and other assets		(29.2)	(16.4)
Change in liabilities, provisions and deferred income		(73.8)	(56.2)
Change in internal production and advance payments		(1.5)	2.4
Valuation of hedging instruments		11.1	9.1
Share of the profit of jointly controlled entity accounted for using the equity method		(1.3)	(1.6)
Foreign exchange losses, net		8.8	77.4
Income tax		31.1	27.5
Net additions of reception equipment provided under operating lease		(65.3)	(81.9)
Net loss on derivatives		16.5	-
Other adjustments		92.9	9.0
Cash from operating activities		**735.7**	**351.9**
Income tax paid		(99.5)	(26.3)
Interest received from operating activities		13.4	6.1
Net cash from operating activities		**649.6**	**331.7**
Acquisition of property, plant and equipment		(93.0)	(40.6)
Acquisition of intangible assets		(46.6)	(20.4)
Acquisition of subsidiaries, net of cash acquired	22	1,800.4	(0.3)
Proceeds from sale of property, plant and equipment		1.6	0.4
Establishment of short-term deposits		(270.0)	-
Granted loans		(5.8)	-
Other investing activities - derivatives		5.0	-
Dividends received		2.5	2.5
Net cash from/(used in) investing activities		**1,394.1**	**(58.4)**

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

Repayment of loans and borrowings	19	(547.1)	(192.6)
Loans and borrowings inflows		2,800.0	-
Bonds repayment		(2,275.9)	-
Finance lease – principal repayments		(0.3)	(0.2)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*		(348.3)	(85.6)
Dividends paid		(102.9)	-
Payment of share issuance-related consulting costs		(3.8)	-
Net cash used in financing activities		**(478.3)**	**(278.4)**
Net increase/(decrease) in cash and cash equivalents		**1,565.4**	**(5.1)**
Cash and cash equivalents at the beginning of the period		**342.2**	**270.4**
Effect of exchange rate fluctuations on cash and cash equivalents		(0.7)	0.5
Cash and cash equivalents at the end of the period**		**1,906.9**	**265.8**

* Includes impact of hedging instruments, premiums paid for early bonds' repayment and amount paid for costs related to the new financing
** Includes restricted cash amounted to PLN 12.6

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2014

	Note	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		**13.9**	**1,295.1**	**(9.0)**	**1,701.2**	**3,001.2**	**-**	**3,001.2**
Issue of shares	17	11.7	5,942.4	-	-	**5,954.1**	**-**	**5,954.1**
Dividend declared and paid	17	-	-	-	(102.9)	**(102.9)**	**-**	**(102.9)**
Total comprehensive income		-	-	9.0	230.3	**239.3**	**-**	**239.3**
Hedge valuation reserve		*-*	*-*	*9.0*	*-*	***9.0***	***-***	***9.0***
Net profit for the period		*-*	*-*	*-*	*230.3*	***230.3***	***-***	***230.3***
Balance as at 30 June 2014 unaudited		**25.6**	**7,237.5**	**-**	**1,828.6**	**9,091.7**	**-**	**9,091.7**

* The capital excluded from distribution amounts to PLN 8.5. 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 6 months ended 30 June 2013

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13.9**	**1,295.1**	**(16.3)**	**1,175.7**	**2,468.4**
Total comprehensive income	-	-	3.1	175.9	**179.0**
Hedge valuation reserve	*-*	*-*	*7.4*	*-*	***7.4***
Currency translation adjustment	*-*	*-*	*(4.3)*	*-*	***(4.3)***
Net profit for the period	*-*	*-*	*-*	*175.9*	***175.9***
Balance as at 30 June 2013 unaudited	**13.9**	**1,295.1**	**(13.2)**	**1,351.6**	**2,647.4**

* The capital excluded from distribution amounts to PLN 4.6. 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 ('the Group'), and the Group's interest in jointly controlled entities. The Group operates in two segments: (1) services to individual and business customers 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 6 months ended 30 June 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together 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 million with currency specification, all amounts presented in tables are in PLN million, except where otherwise stated)

The Group applied the same accounting policies in the preparation of the financial data for the 6 months ended 30 June 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. Till the end of year 2013 cost of acquisition or production cost of inventories was based on the first-in first-out principle. From 1 January 2014 cost of acquisition or production cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory. Retrospective 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%

	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 six months period ended 30 June 2014 would have been about PLN 6.0 higher.

On acquision of shares in Metelem Holding Company Limited ('Metelem') and inclusion of new components of property, plant and equipment and other intangible assets in Group's balance sheet, the following estimated useful lives of respective groups of assets are used:

- property, plant and equipment:

Reception equipment	3 or 5	years
Buildings and structures	2 - 61	years
Technical equipment and machinery	2 - 58	years
Vehicles	2 - 16	years
Other	2 - 26	years

- other intangible assets:
    - Computer software: 2 – 15 years,
    - Customer relationships: 3 – 13 years,
    - Concessions: period resulting from an administrative decision,
    - Other: 2 – 7 years.

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

6. Group structure

These interim condensed consolidated financial statements for the 6 months ended 30 June 2014 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	30 June 2014	31 December 2013
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries accounted for using full method:				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	100%
Cyfrowy Polsat Finance AB	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k. (former Polsat Media Sp. z o.o.)	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Media-Biznes Sp. z o.o.	Ostrobramska 77, Warsaw	television activities	100%	100%
Polsat Futbol Ltd.*	Office 1D 238-246 King Street London W6 0RF UK	television activities	-	100%
Nord License AS	Vollsvseien 13B Lysaker Norway	trade of programming licences	100%	100%
Polsat License Ltd.	Poststrasse 9 6300 Zug Switzerland	trade of programming licences	100%	100%
Telewizja Polsat Holdings Sp. z o.o.	Ostrobramska 77, Warsaw	holding activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
PL 2014 Sp. z o.o.**	Al. Stanów Zjednoczonych 53, Warsaw	other sport relating activities	60%	60%

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2014	31 December 2013
Subsidiaries accounted for using full method (cont.)				
Polsat Brands (einfache Gesellschaft)	Poststrasse 9 6300 Zug Switzerland	intellectual property rights management	100%	100%
INFO-TV-FM Sp. z o.o.	Łubinowa 4a, Warsaw	radio and TV activities	100%	100%
CPSPV1 Sp. z o.o.***	Łubinowa 4a, Warsaw	technical services	100%	99%
CPSPV2 Sp. z o.o.***	Łubinowa 4a, Warsaw	technical services	100%	99%
Redefine Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Poszkole.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Gery.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Frazpc.pl Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	web portals activities	100%	100%
Netshare Sp. z o.o.	Al. Stanów Zjednoczonych 61A, Warsaw	electronic media (Internet) advertising broker	100%	100%
Metelem Holding Company Limited ****	1, Kostakis Pantelides 1010, Nicosia Cyprus	holding and financial activities	100%	-
Eileme 1 AB (publ) ****	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	-
Eileme 2 AB (publ) ****	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	-
Eileme 3 AB (publ) ****	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	-
Eileme 4 AB (publ) ****	Stureplan 4C 114 35 Stockholm Sweden	holding activities	100%	-

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

	Entity's registered office	Activity	Share in voting rights (%) 30 June 2014	Share in voting rights (%) 31 December 2013
Subsidiaries accounted for using full method (cont.)				
Polkomtel Sp. z o.o. ****	Postępu 3 02-676 Warsaw	telecommunication activities	100%	-
Nordisk Polska Sp. z o.o. ****	Postępu 3 02-676 Warsaw	telecommunication activities	100%	-
Polkomtel Finance AB (publ) ****	Norrlandsgatan 18 111 43 Stockholm Sweden	financial activities	100%	-
Liberty Poland S.A. ****	Katowicka 47 41-500 Chorzów	telecommunication activities	100%	-
Polkomtel Business Development Sp. z o.o. ****	Postępu 3 02-676 Warsaw	other activities supporting financial services	100%	-
Plus TM Management Sp. z o.o. ****	Postępu 3 02-676 Warsaw	telecommunication activities	100%	-
LTE Holdings Limited ****	Kostaki Pantelidi 1 1010, Nicosia Cyprus	holding activities	100%	-
Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna ****	Postępu 3 02-676 Warsaw	intelectual properties and similar items rental	100%	-
Plus TM Group Sp. z o.o. ****	Postępu 3 02-676 Warsaw	holding activities	100%	-

* Polsat Futbol Ltd. was dissolved on 21 January 2014

** On 27 July 2014 Telewizja Polsat Sp. z o.o. acquired the remaining 50% shares of PL 2014 Sp. z o.o., increasing the total number of votes to 100%

*** On 22 May 2014 Cyfrowy Polsat Trade Marks Sp. z o.o. acquired 1% shares of CPSPV1 Sp. z o.o. and 1% shares of CPSPV2 Sp. z o.o.

**** Companies consolidated from 7 May 2014

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

Investments accounted for under the equity method:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2014**	**31 December 2013**
Polsat JimJam Ltd.	105-109 Salusbury Road London NW6 6RG UK	television activities	50%	50%
Polski Operator Telewizyjny Sp. z o.o.*	Huculska 6, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.	Wołoska 18 02-675 Warsaw	maintenance of loyalty programs	49.97%	-
Paszport Korzyści Sp. z o.o.	Postępu 3 02-676 Warsaw	maintenance of loyalty programs	49%	-

* The company has suspended operations

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 6 months ended 30 June 2014 :

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**30 June 2014**	**31 December 2013**
Karpacka Telewizja Kablowa Sp. z o.o.*	Chorzowska 3, Radom	dormant	99%	85%
Litenite Limited**	Kostakis Pantelides Avenue 1 1010, Nicosia Cyprus	holding activities	49%	-

* Investment accounted for at cost less any accumulated impairment losses

** Investment in Litenite Limited is accounted for as an investments in associates without equity pick-up

7. 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 27 August 2014.

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

8. Information on Seasonality in the Group's Operations

Wholesale revenue includes inter alia advertising and sponsoring revenue which 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.
Within retail revenue category mobile revenue is a subject to slight fluctuations during the year. This revenue stream tends to increase during the summer period (caused by increased usage of roaming services). On the other hand mobile revenue tends to decrease in the first quarter of each year due to fewer number of calendar and business days.

9. Change in presentation

The Group has changed presentation of revenue and operating costs in the interim condensed consolidated income statement. None of the introduced changes affected the previously reported amounts of revenue, costs, net profit for the period, EBITDA, or equity.

Change in presentation of revenue presentation involves presentation of advertising and sponsorship revenue as well as revenue from cable and satellite operator fees together as wholesale revenue. Pursuant to the new presentation, wholesale revenue also contains transmission services revenue and sales of licenses, sublicenses and property rights (presented within Other revenue in previous periods).

Change in presentation of operating costs involved grouping of cost items within new cost categories: content costs and technical costs and cost of settlements with mobile network operators. Content costs contain programming cost, cost of internal and external TV production and amortization of sport rights and amortization of purchased film licenses. Technical costs and cost of settlements with mobile network operators contain broadcasting and signal transmission costs, cost of settlements with mobile network operators and interconnection charges, infrastructure rental costs (presented within Other costs in previous periods) and IT services costs (presented within Other costs in previous periods).

Comparable results for the 6 months ended 30 June 2013 have been reclassified to conform to the current period presentation as presented in the table below. Reclassifications have also been made in the notes to the interim condensed consolidated financial statements.

		Change in presentation Restated data for the 6 months ended 30 June 2013			
	30 June 2013 *(reported)*	**Retail revenue**	**Wholesale revenue**	**Sale of equipment**	**Other revenue**
Retail revenue	904.4	903.6	0.8	-	-
Advertising and sponsorship revenue	410.8	-	410.8	-	-
Revenue from cable and satellite operator fees	49.4	-	49.4	-	-
Sale of equipment	24.9	-	-	24.9	-
Other revenue	43.5	-	28.1	-	15.4
Total	**1,433.0**	**903.6**	**489.1**	**24.9**	**15.4**

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

		Change in presentation Restated data for the 6 months ended 30 June 2013							
	30 June 2013 *(reported)*	**Content costs**	**Distribution, marketing, customer relation management and retention costs**	**Depreciation, amortization, impairment and disposal**	**Technical costs and cost of settlements with mobile network operators**	**Salaries and employee-related costs**	**Cost of equipment sold**	**Cost of debt collection services and bad debt allowance and receivables written off**	**Other costs**
Programming costs	201.7	201.7	-	-	-	-	-	-	-
Distribution, marketing, customer relation management and retention costs	160.3	-	160.3	-	-	-	-	-	-
Cost of internal and external TV production and amortization of sport rights	178.5	178.5	-	-	-	-	-	-	-
Depreciation, amortization and impairment	123.0	-	-	123.0	-	-	-	-	-
Salaries and employee-related costs	85.0	-	-	-	-	85.0	-	-	-
Broadcasting and signal transmission costs	77.5	-	-	-	77.5	-	-	-	-
Amortization of purchased film licenses	66.7	66.7	-	-	-	-	-	-	-
Cost of equipment sold	42.7	-	-	-	-	-	42.7	-	-
Cost of settlements with mobile network operators and interconnection charges	32.5	-	-	-	32.5	-	-	-	-
Cost of debt collection services and bad debt allowance and receivables written off	15.7	-	-	-	-	-	-	15.7	-
Other costs	71.7	-	-	-	12.7	-	-	-	59.0
Total	**1.055.3**	**446.9**	**160.3**	**123.0**	**122.7**	**85.0**	**42.7**	**15.7**	**59.0**

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

10. Revenue

	for the 6 months ended	
	30 June 2014 unaudited	30 June 2013 unaudited
Retail revenue	1,672.3	903.6
Wholesale revenue	721.3	489.1
Sale of equipment	63.3	24.9
Other revenue	12.3	15.4
Total	**2.469.2**	**1,433.0**

Retail revenue mainly consists of pay-TV, telecommunication services, interconnection revenues, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

11. Operating costs

		for the 6 months ended	
	Note	30 June 2014 unaudited	30 June 2013 unaudited
Content costs		471.5	446.9
Distribution, marketing, customer relation management and retention costs		207.6	160.3
Depreciation, amortization, impairment and disposal		373.8	123.0
Technical costs and cost of settlements with mobile network operators		359.3	122.7
Salaries and employee-related costs	a	152.8	85.0
Cost of equipment sold		200.0	42.7
Cost of debt collection services and bad debt allowance and receivables written off		24.8	15.7
Other costs		69.4	59.0
Total		**1,859.2**	**1,055.3**

a) Salaries and employee-related costs

	for the 6 months ended	
	30 June 2014 unaudited	30 June 2013 unaudited
Salaries	127.9	71.3
Social security contributions	20.4	11.3
Other employee-related costs	4.5	2.4
Total	**152.8**	**85.0**

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

12. Gain/loss on investment activities, net

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Interest income	19.7	6.2
Other interest expense	(0.9)	(1.7)
Other foreign exchange gains	4.6	0.2
Other investment income	6.2	-
Other costs	(4.5)	(0.1)
Total	**25.1**	**4.6**

13. Finance costs

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Interest expense on loans and borrowings	112.0	36.6
Interest expense on issued bonds	118.6	55.0
Early redemption costs (see note 20)	82.1	-
Foreign exchange differences on issued bonds	15.5	82.2
Valuation and realization of hedging instruments	4.6	6.6
Valuation and realization of instruments not under hedge accounting	42.0	-
Guarantee fees, bank and other charges	7.3	2.1
Total	**382.1**	**182.5**

14. Goodwill

	2014
Balance as at 1 January	**2,602.8**
Acquisition of 100% shares of Metelem Holding Company Limited (see note 22)	9,132.7
Balance as at 30 June unaudited	**11,735.5**

15. Trade and other receivables

	30 June 2014 unaudited	**31 December 2013**
Trade receivables from related parties	70.7	12.3
Trade receivables from third parties	1,230.1	347.1
Tax and social security receivables	48.8	13.5
Other receivables	24.8	1.5
Total	**1,374.4**	**374.4**

Trade receivables from third parties include primarily receivables from individual customers, media houses and distributors.

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

16. Cash and cash equivalents

	30 June 2014 unaudited	31 December 2013
Cash on hand	0.8	0.2
Current accounts	88.4	103.7
Deposits	1,805.1	238.3
Total	**1,894.3**	**342.2**

17. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2014:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

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

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Total	**348,352,836**	**13.9**	

The shareholders' structure as at 30 June 2014 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Argumenol Investment Company Ltd. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
European Bank for Reconstruction and Development	47,260,690	1.9	7.39%	47,260,690	5.77%
Other	167,107,268	6.7	26.13%	167,278,518	20.43%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Entity is controlled by Mr. Zygmunt Solorz-Żak

[2] Reddev Investments Ltd. is a direct subsidiary of Pola Investments Ltd., an entity controlled by the TiVi Foundation, the parent entity of which is Mr. Zygmunt Solorz-Żak

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

The shareholders' structure 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	6.2	44.27%	306,709,172	58.11%
Sensor Overseas Ltd.[2]	25,341,272	1.0	7.27%	50,382,647	9.55%
Other	168,807,268	6.7	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13.9**	**100%**	**527,770,337**	**100%**

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

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

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 11.7 by the issue of up to 291,193,180 ordinary bearer shares.

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 were offered to the vendors of shares in Metelem.

On 2 April 2014 the registration of a conditional increase of the Company's share capital for the purposes of the transaction of the takeover of Metelem by the Company took place.

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 (the "WSE").

On 12 May 2014 the Management Board of 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 (not in millions) 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 on 12 May 2014 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 (not in millions) 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.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

(iii) Retained earnings

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 429.0 is appropriated as follows: (i) PLN 102.9 to dividends payable to the shareholders of the Company, (ii) the remaining portion of the net profit, i.e. PLN 326.1 to the supplementary capital.

18. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2014	2013
Balance as at 1 January	**(9.0)**	**(20.6)**
Valuation of cash flow hedges	-	8.9
Amount transferred to income statement	11.1	0.2
Deferred tax	(2.1)	(1.7)
Change for the period	**9.0**	**7.4**
Balance as at 30 June unaudited	**-**	**(13.2)**

Due to the repayment of existing debt and its replacement with new credit facility (see note 19) the hedge of existing debt was ended and the amounts presented in hedge valuation reserve were transferred to profit and loss.

In the 6 months ended 30 June 2013 the hedge was valued at PLN 8.9 (positive), with PLN 0.2 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 9.1 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 7.4 (positive), including deferred tax.

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

19. Loans and borrowings

Loans and borrowings	30 June 2014 unaudited	31 December 2013
Short-term liabilities	1,094.3	246.0
Long-term liabilities	8,446.1	239.9
Total	**9,540.4**	**485.9**

Change in loans and borrowings liabilities:

	2014	2013
Loans and borrowings as at 1 January	**485.9**	**867.6**
Loans and borrowings on acquisition as at 7 May 2014 (see note 22)	6,815.6	-
Facilities agreement	2,800.0	-
Repayment of capital	(547.1)	(192.6)
Repayment of interest and commissions	(126.0)*	(25.4)
Interest accrued	112.0	36.6
Loans and borrowings as at 30 June unaudited	**9,540.4**	**686.2**

* Includes amount paid for costs related to the new financing

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 provides the granting of a term facility loan ("Term Facility Loan") up to the maximum amount of PLN 2,500 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500 ("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 of indebtedness, 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 is dependent 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 installments 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 was used by the Company in particular 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
c) the 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.

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.

Loans and borrowings on acquisition as at 7 May 2014 comprise the Senior Facilities Agreement (‘SFA Agreement’) concluded on 17 June 2013 by Eileme 2 AB publ, Eileme 3 AB publ, Eileme 4 AB publ and Polkomtel Sp. z o.o. (subsidiaries of the Company) with the Consortium of Polish and foreign banks and financial institutions led by Bank Polska Kasa Opieki S.A, Powszechna Kasa Oszczędności Bank Polski S.A. (acting as ‘Global Coordinators’), Bank Polska Kasa Opieki S.A., Bank Zachodni WBK S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Powszechny Zakład Ubezpieczeń S.A. (acting as ‘Senior Mandated Lead Arrangers’), Bank DnB NORD Polska S.A., Bank Millennium S.A., BNP Paribas Bank Polska S.A., BNP Paribas Fortis S.A./N.V., BRE Bank S.A., Credit Agricole Bank Polska S.A., DNB Bank ASA, HSBC Bank PLC, HSBC Bank Polska S.A., ING Bank N.V., Nordea Bank Polska S.A., PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 1, Raiffeisen Bank International AG, Raiffeisen Bank Polska S.A., Societe Generale, London Branch, The Royal Bank of Scotland PLC (acting as ‘Mandated Lead Arrangers’), Unicredit Bank AG, London Branch (acting as ‘Agent’) and Citicorp Trustee Company Limited (acting as ‘Security Agent’).

The SFA Agreement includes the following loans granted to Polkomtel Sp. z o.o.: the Senior Facilities Term Loan A (‘SFA A’) in the amount of PLN 2,650.0, the Senior Facilities Term Loan B (‘SFA B’) in the amount of PLN 3,300.0, the Senior Facilities Term Loan C (‘SFA C’) in the amount of PLN 1,700.0 and multicurrency revolving loan facility of up to PLN 300.0 (‘New RCF’).

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

The term facilities granted to Polkomtel Sp. z o.o. bear interest at a variable rate being the sum of the WIBOR rate for appropriate interest period and the applicable margin. The margin is dependent on the level of the leverage ratio in such way that the lower it is, the lower the margin will also be.

The SFA A loan is scheduled for repayment in quarterly uneven installments of which final installment is due in November 2017. The SFA B loan is scheduled for full repayment in June 2018. The SFA C loan is scheduled for full repayment in June 2019. The final repayment of the New RCF is scheduled to be in November 2017. Until June 30, 2014 the New RCF was not utilized.

The receivables from Polkomtel Sp. z o.o. are secured by security interests established by the Company and other entities. In particular, such security interests include guarantees, pledges on the assets and other collaterals.

Moreover the SFA Agreement imposes a number of restrictions, disclosure requirements, covenants and other obligations.

20. Issued bonds

	30 June 2014 unaudited	31 December 2013
Short-term liabilities	431,9	98.7
Long-term liabilities	4,286.9	1,340.0
Total	**4,718.8**	**1,438.7**

Change in issued bonds:

	2014	2013
Issued bonds as at 1 January	**1,438.7**	**1,413.7**
Bonds on acquisition as at 7 May 2014 (see note 22)	5,528.5	-
Foreign exchange losses	15.5	82.2
Early redemption costs	82.1	-
Bonds redemption	(2,275.9)	-
Repayment of interest and commission	(188.7)*	(52.0)
Interest accrued	118.6	55.0
Issued bonds payable as at 30 June unaudited	**4,718.8**	**1,498.9**

* - Includes payment of the early redemption costs

On 26 January 2012 Eileme 2 AB publ, subsidiary of the Company since 7 May 2014, as the issuer and Citibank N.A. as the Agent, the Guarantors (Eileme 3 AB publ, Eileme 4 AB publ, Spartan Capital Holdings Sp. z o.o.) and Ortholuck Limited entered into an indenture ('HY Indenture Agreement') for the issuance of Senior Notes due in 2020. Pursuant to the HY Indenture Agreement on 26 January 2012 Eileme 2 AB publ issued, in two separate tranches within one prospectus, EURO 542.5 11.75% ('Senior Notes EURO') and USD 500.0 11.625 % Senior Notes ('Senior Notes USD') due in 2020. Polkomtel Sp. z o.o., Spartan Capital Holdings Sp. z o.o. and Eileme 4 AB publ guaranteed redemption of the Senior Notes as well as repayment of other liabilities of Eileme 2 AB publ related thereto.

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

On or after 31 January 2016, Eileme 2 AB publ may redeem all or a part of the Senior Notes EURO and/or Senior Notes USD at the redemption price (expressed as percentages of principal amount) set out below plus accrued and unpaid interest on the notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on January 31 of the years indicated below, subject to the rights of holders of notes on the relevant record date to receive interest on the relevant interest payment date: (i) in 2016 the redemption price is 105.875% for Senior Notes EURO and 105.813% for Senior Notes USD, (ii) in 2017 the redemption price is 102.938% for Senior Notes EURO and 102.906% for Senior Notes USD and (iii) thereafter the redemption price is 100.000% both for Senior Notes EURO and Senior Notes USD. Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the notes (or portions thereof) called for redemption on the applicable redemption date.

Interest coupons on the Senior Notes are due semi-annually on 31 January and 31 July each year.

On 17 February 2012 Eileme 1 AB publ, subsidiary of the Company since 7 May 2014, as the issuer and Citibank N.A. as the Agent and Ortholuck Limite entered into an indenture ('PIK Indenture Agreement') for the issuance of Pay-in-Kind notes due in 2020 with aggregate principal amount of USD 201.0 ('PIK Notes').

Pursuant to the PIK Indenture Agreement on 17 February 2012 Eileme 1 AB publ issued USD 201.0 14,25% PIK Notes due in year 2020.

On 7 May 2014 Cyfrowy Polsat Finance AB repaid its total indebtedness under the senior secured notes.

On 30 May 2014 an indirect subsidiary of the Company repaid its total indebtedness under the PIK Notes. The PIK Notes were redeemed for a price equal to 103% of the nominal value of the PIK Notes increased by accrued and unpaid interest as at 30 May 2014.

The funds for repayment of the bonds mainly have been derived from a term facility issued to the Company on 11 April 2014. For details, please refer to note 19.

21. Trade and other payables

	30 June 2014 unaudited	31 December 2013
Trade payables to related parties	9.1	4.5
Trade payables to third parties	310.3	105.6
Taxation and social security payables	366.1	37.0
Payables relating to purchase of programming rights to related parties	0.1	0.1
Payables relating to purchase of programming rights to third parties	53.4	41.3
Payables relating to purchases of tangible and intangible assets	79.2	20.5
Accruals	520.0	136.0
Short-term provisions	132.5	42.5
Financial instruments (IRS/CIRS) liabilities	113.1	11.9
Other	35.0	13.8
Total	**1,618.8**	**413.2**

Short-term and long-term provisions

	2014
Opening balance as at 1 January	**43.6**
Acquisition of subsidiary (see note 22)	186.2
Increases	15.2
Reversal	(1.3)
Utilisation	(6.0)
Closing balance as at 30 June unaudited	**237.7**
Of which:	
Short-term	*132.5*
Long-term	*105.2*

Provisions comprise *inter alia* of provision for license fees, litigation and disputes, warranty provision, dismantling and removing the assets and restoring the site and onerous contracts.

Provisions on acquisition of a subsidiary as at 7 May 2014 include primarily a provision for dismantling costs (PLN 98) and provisions for legal proceedings (see note 25).

22. Acquisition of a subsidiary

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 European Bank for Reconstruction and Development (“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 and each of the shareholders accepted the offer of the Company and acquired free registered subscription warrants 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 (not in millions) each.

Karswell and Argumenol are controlled by Mr. Zygmunt Solorz-Żak, ultimate controlling party of the Company. Sensor is controlled by Mr. Heronim Ruta.

The acquisition date is 7 May 2014, when the title to the shares of the acquired company was transferred to Cyfrowy Polsat (that day were fulfilled all conditions included in the conditional investment agreements signed on 14 November 2013 and 19 December 2013).

The Group uses the purchase accounting method for entities acquired under common control.

a) Consideration transferred

	2014
Shares I and J series issued on 7 May 2014	5,957.8
Total as at 7 May 2014	**5,957.8**

The fair value of shares issued was established based on the closing price of PLN 20.46 (not in millions) as per the stock exchange quotation as at 7 May 2014.

b) Reconciliation of transactional cash flow

Cash transferred	-
Cash and cash equivalents received	1,800.6
Cash increase in the period of 6 months ended 30 June 2014	**1,800.6**

c) Provisional fair value valuation of net assets as at acquisition date

The table below presents fair values of identified assets and liabilities of the acquired companies, as at the acquisition date, and goodwill accounted for an acquisition.

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

Provisional fair values of assets and liabilities acquired as at 7 May 2014:

	fair value as at the acquisition date (7 May 2014)
Net assets:	
Property, plant and equipment	2,797.3
Land	26.3
Buildings	86.4
Network systems and equipment	2,356.0
Vehicles	10.9
Other fixed assets	36.0
Assets under construction	281.7
Customer relationships	4,570.0
Concessions	1,600.0
Other intangible assets	688.2
Other non-current assets	7.9
Deferred tax assets	202.7
Inventory	155.2
Trade receivables and other receivables	1,070.0
Other current assets	129,3
Cash and equivalents	1,800.6
Loans and borrowings	(6,815.6)
Issued bonds	(5,528.5)
UMTS license liabilities	(957.9)
Finance lease liabilities	(9.2)
Deferred tax liabilities	(935.5)
Other non-current liabilities and provisions	(122.3)
Trade liabilities and other liabilities	(1,311.0)
Income tax liabilities	(39.4)
Deferred income	(476.7)
Total net assets	**(3,174.9)**
Consideration transferred	5,957.8
Provisional value of goodwill	**9,132.7**

During the provisional purchase price allocation the Group identified and fair valued intangible assets of marketing nature, (i.e. customer relationships), key telecommunication concessions and senior notes liabilities.

The provisional fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method (MEEM). This method allows valuation of relationships with retail and wholesale customers based on an analysis of expected cash flows derived from those relationships. In order to determine the market value of the relationship, forecasted cash flows are discounted using the expected return/discount rate determined for the asset assuming a given period of economic usefulness of the relationship.

The provisional fair value of key telecommunication concessions (900 MHz, 1800 MHz and 2100 MHz) is estimated based on the market approach and income approach (greenfield scenario).

The provisional fair value of senior notes liabilities in amount PLN 5,528.5 is estimated based on the market quotation as at the acquisition date. The book value of senior notes liabilities presented in balance sheet of Metelem group as at acquisition date was equal to PLN 4,574.1, and the difference between this amount and fair value of senior notes liabilities is a result of purchase price allocation.

Moreover as a result of acquisition of shares in Metelem UMTS license liability has been recognized. The liability is denominated in EUR. The value of the liability is a subject to annual reduction due to subsequent installments paid to the regulator. UMTS license liability is due in 2022.

During the provisional purchase price allocation the Group identified an umbrella brand ‘Plus’. A valuation of the brand to fair value has not been completed as at the date of preparation of these interim condensed consolidated financial statements and thus is included in the value of goodwill. The provisional fair value of other items of assets and liabilities is estimated at book value as at the acquisition date.

Fair value of identifiable acquired intangible assets and other assets and liabilities is provisional and is applicable up to final valuation of assets and liabilities will be obtained.

The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations and the value of ‘Plus’ brand. Goodwill is allocated to the "Services to individual and business customers" operating segment.

The provisional fair value of trade and other receivables is PLN 1,070 and includes trade receivables with a provisional fair value of PLN 1,023. The gross contractual amount for trade receivables due is PLN 1,089, of which PLN 66 is expected to be uncollectible.

Acquisition-related consulting cost in the amount of PLN 5,2 have been recognized in the income statement for the 6 month period ended 30 June 2014 within the other costs category. Share issuance-related consulting costs in amount of PLN 3,8 have been recognized as a reduction of the share premium.

The revenue and net income included in the interim consolidated income statement for the reporting period since 7 May 2014 contributed by Metelem Group amounted to PLN 968.5 and PLN 21.5, respectively. Had it been acquired on 1 January 2014 the revenue and net income included in the interim consolidated income statement for would have amounted to PLN 4,778 and PLN 269, respectively. These amounts include the effect of provisional valuation to fair value of the described above selected net assets acquired on 7 May 2014.

23. Operating segments

The Group operates in the following two segments:

1. services to individual and business customers 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.

Services to individual and business customers 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 services (postpaid and mix) which generate revenues mainly from interconnection revenues, settlements with mobile network operators and subscription fees;
- mobile telecommunication prepaid services which generate revenues mainly from interconnection revenues and settlements with mobile network operators;
- providing access to broadband Internet which generates revenues mainly from traffic and subscription fees;
- telecommunication wholesale services, including international and domestic roaming as well as telecommunication infrastructure sharing services
- 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.

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

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 6 months ended 30 June 2014:

The 6 months ended 30 June 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,936.4	532.8	-	2,469.2
Inter-segment revenues	15.4	58.6	(74.0)	-
Revenues	**1,951.8**	**591.4**	**(74.0)**	**2,469.2**
EBITDA (unaudited)	**773.8**	**217.1**	**-**	**990.9**
Depreciation, amortization, impairment and disposal	355.9	17.9	-	373.8
Profit from operating activities	**417.9**	**199.2**	**-**	**617.1**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	181.3*	23.9	-	205.2
Balance as at 30 June 2014 (unaudited)				
Assets, including:	23,744.5	4,202.0**	(119.4)***	27,827.1
Investments in jointly controlled entity	-	1.9	-	1.9

* 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 73.1.

*** This item includes mainly dividend receivable from Telewizja Polsat Sp. z o.o. of PLN 75.0.

All material revenues are generated in Poland.

It should be noted that the 6 months ended 30 June 2014 is not comparable to the 6 months ended 30 June 2013 as Polskie Media was acquired and RS TV was disposed on 30 August 2013 (both allocated to the Broadcasting and television production segment) and Metelem Holding Company Limited was acquired on 7 May 2014 (allocated to the Services to individual and business customers segment).

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

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 6 months ended 30 June 2013:

The 6 months ended 30 June 2013 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	950.3	482.7	-	1,433.0
Inter-segment revenues	12.4	50.0	(62.4)	-
Revenues	**962.7**	**532.7**	**(62.4)**	**1,433.0**
EBITDA (unaudited)	**324.2**	**178.5**	**-**	**502.7**
Depreciation, amortization, impairment and disposal	107.1	15.9	-	123.0
Profit from operating activities	**217.1**	**162.6**	**-**	**379.7**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	134.8*	10.7	-	145.5
Balance as at 30 June 2013 (unaudited)				
Assets, including:	1,743.2	4,065.4**	(215.9)***	5,592.7
Investments in jointly controlled entity	-	1.8	-	1.8

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

** Includes non-current assets located outside of Poland.
*** Includes mainly dividend receivable from Telewizja Polsat Sp. z o.o.

Reconciliation of EBITDA and Net profit for the period:

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
EBITDA (unaudited)	**990.9**	**502.7**
Depreciation, amortization, impairment and disposal (note 11)	(373.8)	(123.0)
Profit from operating activities	**617.1**	**379.7**
Other foreign exchange rate differences, net (note 12)	4.6	0.2
Interest income (note 12)	19.7	6.2
Share of the profit of jointly controlled entity accounted for using the equity method	1.3	1.6
Interest costs (note 12 and 13)	(278.1)	(99.8)
Foreign exchange differences on issued bonds (note 13)	(15.5)	(82.2)
Early redemption costs (note 13)	(82.1)	-
Other	(5.6)	(2.3)
Gross profit for the period	**261.4**	**203.4**
Income tax	(31.1)	(27.5)
Net profit for the period	**230.3**	**175.9**

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

24. Transactions with related parties

Receivables

	30 June 2014 unaudited	31 December 2013
Jointly controlled entities	0.4	0.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	67.6	12.1
Total*	**68.0**	**12.9**

*Amounts presented above do not include deposits paid (30 June 2014 – PLN 2.6, 31 December 2013 – PLN 2.6)

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

Other assets

	30 June 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 Cyfrowy Polsat S.A.	63.9	98.6
Total	**63.9**	**98.6**

Other current assets comprise mainly deferred costs related to the agreement with Mobyland Sp. z o.o. ("Mobyland") and Polkomtel S.A („Polkomtel") – the latter referring only to 31 December 2013 as it is being eliminated on consolidation.

On 27 March 2014 Cyfrowy Polsat and Mobyland signed a memorandum of understanding to the data transfer services agreement dated 15 December 2010 under which the previously paid by the Company data 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.

More details regarding the above-mentioned agreements are presented in note 27.

Liabilities

	30 June 2014 unaudited	31 December 2013
Jointly controlled entities	1.8	0.6
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	18.9	4.0
Total	**20.7**	**4.6**

Loans granted

	30 June 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 Cyfrowy Polsat S.A.	11.8	-
Total	**11.8**	**-**

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

Revenues

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Subsidiaries*	0.4	-
Jointly controlled entities	0.2	0.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	75,7	22.7
Total	**76.3**	**23.0**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 6 months ended 30 June 2014 the most significant transactions include revenues from sharing base transceiver stations and radio module, services relating to expansion of telecommunication network, revenues from sale of telecommunication equipment, sale of advertisements and revenues from audiotext services. In 6 months ended 30 June 2013 the most significant transactions include license fees on programming assets, transponder rental fees, sale of equipment and interconnect services, sale of advertisements and revenues from audiotext services.

Expenses and purchases of programming assets

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Subsidiaries*	11.2	-
Jointly controlled entities	3.2	2.8
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	140.7	121.9
Total	**155.1**	**124.7**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 6 months ended 30 June 2014 the most significant transactions include data transfer services, expenses for programming assets, advertising services, property rental, cost of electrical energy, telecommunication services with respect to the Group's customer call center and commission fees. In 6 months ended 30 June 2013 the 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.

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

Gain/loss on investment activities, net

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 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 Cyfrowy Polsat S.A.	0.1	0.1
Total	**0.1**	**0.1**

The acquisition of shares in Metelem was presented in note 22.

25. Litigations

Management believes that the provisions as at 30 June 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.

Proceedings before the Office of Competition and Consumer („UOKiK")

On 24 February 2011 the President of UOKiK imposed penalty on Polkomtel (Company's indirect subsidiary) in the amount of PLN 130.7 for the alleged lack of cooperation during an inspection carried out by UOKiK in Polkomtel. Polkomtel appealed against the decision of the President of UOKiK to the Consumer and Competition Protection Court ("SOKiK"). According to management, during the inspection the Company had fully and at all times cooperated with UOKiK within the scope provided by the law. On 18 June 2014 the decision of the President of UOKiK has been changed by SOKiK, reducing the penalty to PLN 4 (i.e. EUR 1). The verdict is non-binding and may be appealed against by both parties. In management's opinion it is more likely than not that the ultimate outcome of the proceedings will be favorable to Polkomtel.

On 23 November 2011 Polkomtel (Company's indirect subsidiary) received a decision of the President of UOKiK in which UOKiK recognized the alleged agreement between Polkomtel, PTK Centertel Sp. z o.o., PTC S.A. and P4 Sp. z o.o. as a competition-restricting practice on the domestic mobile telecommunication services retail market as well as on the domestic wholesale mobile DVB-H technology services market. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 33.5. In management's opinion, no such agreement had been concluded between the parties. The Company appealed to SOKiK against the decision of the UOKiK's President regarding the penalty.

On 27 December 2012 the President of UOKiK issued a decision ending investigations related to Polkomtel's (Company's indirect subsidiary) alleged practices which infringed upon the collective interests of consumers by presenting misleading slogans in advertising campaigns. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 4.5. The Company appealed to SOKiK against the decision.

In addition to the matters described above, there are also other proceedings, for which provisions have been made according the best estimates of the management board members as to potential future outflows of the economic benefits required for their settlement.

26. 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. These interim condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended as at 31 December 2013. There have been no significant changes in the risk management department or in any risk management policies since the end of year 2013.

Liquidity risk

Compared to end of year 2013, 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 million with currency specification, all amounts presented in tables are in PLN million, except where otherwise stated)

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

			30 June 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**
Loans granted to third parties	A	2	0.1	0.1	0.1	0.1
Loans granted to related parties	A	2	11.8	11.8	-	-
Trade and other receivables	A	2	1,409.5	1,409.5	369.9	369.9
Forwards	B	2	(0.2)	(0.2)	-	-
Interest rate swaps	B	2	(126.6)	(126.6)	(8.0)	(8.0)
Cross-currency interest rate swaps	B	2	(28.5)	(28.5)	(4.1)	(4.1)
Cash and cash equivalents and short-term deposits	A	2	2,164.3	2,164.3	342.3	342.3
Restricted cash	A	2	12.6	12.6	-	-
Loans and borrowings	C	2	(9,678.3)	(9,540.4)	(516.5)	(485.9)
Issued bonds	C	2	(4,723.6)	(4,718.8)	(1,553.1)	(1,438.7)
UMTS licence liabilities	C	2	(1,020.5)	(951.6)	-	-
Finance lease liabilities	C	2	(9.8)	(9.8)	(0.5)	(0.5)
Accruals	C	2	(520.0)	(520.0)	(136.0)	(136.0)
Trade and other payables and deposits	C	2	(499.4)	(499.4)	(195.1)	(195.1)
Total			**(13,008.6)**	**(12,797.0)**	**(1,701.0)**	**(1,556.0)**
Unrecognized gain/(loss)				(211.6)		(145.0)

A – loans and receivables
B – derivatives
C - other

It is assumed that the fair value of cash and cash equivalents (including restricted cash) and short-term deposits 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 to assumed dates of lease agreements termination were analyzed. The discount rate for each payment 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.

When determining the fair value of UMTS licence liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate plus a margin regarding the credit risk.

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

As at 30 June 2014 loans and borrowings comprised senior facilities and revolving facility loan and as at 30 December 2013 senior facilities and Cash Pool. When determining the fair value of senior facilities as at 30 June 2014, forecasted cash flows from the reporting date to 30 November 2017, 22 June 2018, 24 June 2019 and 11 April 2019 (assumed dates of repayment of the loans) were analyzed. When determining the fair value of revolving facility as at 30 June 2014, forecasted cash flows from the reporting date to 30 June 2016 (assumed 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 banks with which the Group concluded agreements.

The fair value of bonds as at 30 June 2014 was calculated as their last transaction price as at the balance sheet date as quoted by Bloomberg multiplied by the EUR/PLN exchange rate or the USD/PLN rate respectively as at the balance sheet date. The fair value of bonds as at 31 December 2013 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 30 June 2014, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	30 June 2014 unaudited	Level 1	Level 2	Level 3
forward contracts		-	1.2	-
Total		**-**	**1.2**	**-**

Liabilities measured at fair value

	30 June 2014 unaudited	Level 1	Level 2	Level 3
forward contracts		-	(1.4)	-
IRS		-	(126.6)	-
CIRS		-	(28.5)	-
Total		**-**	**(156.5)**	**-**

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		-	(8.0)	-
CIRS		-	(4.1)	-
Total		**-**	**(12.1)**	**-**

27. 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 millions) 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 approximately 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 of the 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 millions) per 1 MB. The total value of Order No. 1 amounts to PLN 298,0 net, 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 6.7;
- (ii) for every month from January to December 2015 - in the net amount of PLN 10.0;
- (iii) for every month from January to December 2016 - in the net amount of PLN 8.2.

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. The date of settlement of these transactions was defined as 6 May 2014, with the average PLN/EUR exchange rate at the level of 4.1979 PLN/EUR. As a result of settlement of these transactions the Company recognized a gain in amount PLN 2.9.

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. 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. As a result of settlement of these transactions the Company recognized a gain in amount PLN 8.1.

28. Events subsequent to the reporting date

Acquisition of the remaining share in PL 2014 Sp. z o.o.

As a result of agreement with Polski Związek Piłki Siatkowej signed on 27 July 2014, Telewizja Polsat Sp. z o.o. acquired the remaining 50% shares of PL 2014 Sp. z o.o.

Appointment of a new Member of the Management Board of Cyfrowy Polsat S.A.

On 30 July 2014 the Supervisory Board adopted a resolution appointing Mr. Tobias Solorz to the position of Member of the Management Board as of 1 September 2014. Following the registration of amendments to the Articles of association of the Company by the court, Mr. Tobias Solorz will take up the position of Vice-president of the Management Board.

Conclusion of Interest Rate Swap transactions

On 31 July 2014 and 1 August 2014 the Company executed Interest Rate Swap (IRS) transactions ("Transactions") consisting in exchanging interest payments based on the floating rate WIBOR 3M for interest payments based on an average fixed rate of 2.50% with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Spółka Akcyjna, Oddział w Polsce, Bank Zachodni WBK S.A., BNP Paribas SA and Bank Polska Kasa Opieki SA.
The Transactions were concluded for the period from 30 September 2014 until 31 December 2016 and the total nominal value of the loan being hedged is PLN 1,136.5.

Acquisition of the shares in Polsat Ltd.

On 6 August 2014 Telewizja Polsat Holdings Sp. z o.o. acquired 100% shares of Polsat Ltd.

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29. 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 Senior Facilities Agreement and SFA Agreement (see note 19). Detailed information in respect to the agreements is presented in the Management Report in note 12.

Commitments to purchase programming assets

As at 30 June 2014 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	30 June 2014 unaudited	31 December 2013
within one year	155.4	190.3
between 1 to 5 years	80.8	80.5
Total	**236.2**	**270.8**

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

	30 June 2014 unaudited	31 December 2013
within one year	5.3	18.2
Total	**5.3**	**18.2**

Contractual liabilities related to purchases of non-current assets

Total amount of contractual liabilities resulting from agreements on the production and purchasing of property, plant and equipment was PLN 139.9 as at 30 June 2014 (PLN 5.4 as at 31 December 2013). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 30 June 2014 was PLN 51.5 (PLN 26.8 as at 31 December 2013).

30. 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 and estimates relating to valuation of assets and liabilities identified on Metelem acquisition (see note 22), were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2013.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for 3 and 6 months ended 30 June 2014

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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

Interim Consolidated Income Statement

	Note	for the 3 months ended 30 June 2014 unaudited	for the 3 months ended 30 June 2013 unaudited	for the 6 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2013 unaudited
Continuing operations					
Revenue	5	1,745.9	735.9	2,469.2	1,433.0
Operating costs	6	(1,351.8)	(542.4)	(1,859.2)	(1,055.3)
Other operating income and cost, net		3.5	1.5	7.1	2.0
Profit from operating activities		**397.6**	**195.0**	**617.1**	**379.7**
Gain/loss on investment activities, net		23.9	0.7	25.1	4.6
Finance costs		(273.4)	(102.4)	(382.1)	(182.5)
Share of the profit of jointly controlled entity accounted for using the equity method		0.7	0.8	1.3	1.6
Gross profit for the period		**148.8**	**94.1**	**261.4**	**203.4**
Income tax		(16.7)	(13.4)	(31.1)	(27.5)
Net profit for the period		**132.1**	**80.7**	**230.3**	**175.9**
Net profit attributable to equity holders of the Parent		132.1	80.7	230.3	175.9
Basic and diluted earnings per share (in PLN)		**0.25**	**0.23**	**0.53**	**0.50**

Interim Consolidated Statement of Comprehensive Income

	for the 3 months ended 30 June 2014 unaudited	for the 3 months ended 30 June 2013 unaudited	for the 6 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2013 unaudited
Net profit for the period	**132.1**	**80.7**	**230.3**	**175.9**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	-	5.4	11.1	9.1
Income tax relating to hedge valuation	-	(1.0)	(2.1)	(1.7)
Currency translation adjustment	-	-	-	(4.3)
Items that may be reclassified subsequently to profit or loss	**-**	**4.4**	**9.0**	**3.1**
Other comprehensive income, net of tax	**-**	**4.4**	**9.0**	**3.1**
Total comprehensive income for the period	**132.1**	**85.1**	**239.3**	**179.0**
Total comprehensive income attributable to equity holders of the Parent	132.1	85.1	239.3	179.0

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

Interim Consolidated Balance Sheet - Assets

	30 June 2014 unaudited	31 December 2013
Reception equipment	384.8	407.6
Other property, plant and equipment	3,010.6	251.1
Goodwill	11,735.5	2,602.8
Customer relationships	4,482.0	-
Brands	890.8	890.8
Other intangible assets	2,360.6	137.4
Non-current programming assets	128.1	71.6
Investment property	5.3	5.3
Non-current deferred distribution fees	46.2	29.5
Other non-current assets	107.4	20.8
Deferred tax assets	240.5	38.9
Total non-current assets	**23,391.8**	**4,455.8**
Current programming assets	199.1	181.3
Inventories	343.8	146.8
Trade and other receivables	1,374.4	374.4
Income tax receivable	28.0	0.2
Current deferred distribution fees	91.2	70.1
Other current assets	221.9	105.4
Short-term deposits	270.0	-
Cash and cash equivalents	1,894.3	342.2
Restricted cash	12.6	-
Total current assets	**4,435.3**	**1,220.4**
Total assets	**27,827.1**	**5,676.2**

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

Interim Consolidated Balance Sheet - Equity and Liabilities

	30 June 2014 unaudited	31 December 2013
Share capital	25.6	13.9
Share premium	7,237.5	1,295.1
Other reserves	-	(9.0)
Retained earnings	1,828.6	1,701.2
Equity attributable to equity holders of the Parent	**9,091.7**	**3,001.2**
Non-controlling interests	0.0	0.0
Total equity	**9,091.7**	**3,001.2**
Loans and borrowings	8,446.1	239.9
Issued bonds	4,286.9	1,340.0
Finance lease liabilities	4.5	0.2
UMTS license liabilities	835.8	-
Deferred tax liabilities	1,010.7	108.1
Deferred income	2.8	4.1
Other non-current liabilities and provisions	158.2	7.9
Total non-current liabilities	**14,745.0**	**1,700.2**
Loans and borrowings	1,094.3	246.0
Issued bonds	431.9	98.7
Finance lease liabilities	5.3	0.2
UMTS license liabilities	115.8	-
Trade and other payables	1,618.8	413.2
Income tax liability	43.7	4.5
Deposits for equipment	2.6	2.7
Deferred income	678.0	209.5
Total current liabilities	**3,990.4**	**974.8**
Total liabilities	**18,735.4**	**2,675.0**
Total equity and liabilities	**27,827.1**	**5,676.2**

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

Interim Consolidated Cash Flow Statement

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Net profit	**230.3**	**175.9**
Adjustments for:	**505.4**	**176.0**
Depreciation, amortization, impairment and disposal	373.8	123.0
Payments for film licenses and sports rights	(148.9)	(122.5)
Amortization of film licenses and sports rights	85.1	102.4
(Gain)/loss on sale of property, plant and equipment and intangible assets	(0.7)	0.1
Cost of programming rights sold	0.1	5.8
Interest expense	248.5	93.4
Change in inventories	(41.8)	4.5
Change in receivables and other assets	(29.2)	(16.4)
Change in liabilities, provisions and deferred income	(73.8)	(56.2)
Change in internal production and advance payments	(1.5)	2.4
Valuation of hedging instruments	11.1	9.1
Share of the profit of jointly controlled entity accounted for using the equity method	(1.3)	(1.6)
Foreign exchange losses, net	8.8	77.4
Income tax	31.1	27.5
Net additions of reception equipment provided under operating lease	(65.3)	(81.9)
Net loss on derivatives	16.5	-
Other adjustments	92.9	9.0
Cash from operating activities	**735.7**	**351.9**
Income tax paid	(99.5)	(26.3)
Interest received from operating activities	13.4	6.1
Net cash from operating activities	**649.6**	**331.7**
Acquisition of property, plant and equipment	(93.0)	(40.6)
Acquisition of intangible assets	(46.6)	(20.4)
Acquisition of subsidiaries, net of cash acquired	1,800.4	(0.3)
Proceeds from sale of property, plant and equipment	1.6	0.4
Short-term deposits	(270.0)	-
Granted loans	(5.8)	-
Other investing activities - derivatives	5.0	-
Dividends received	2.5	2.5
Net cash from/(used in) investing activities	**1,394.1**	**(58.4)**

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

Repayment of loans and borrowings	(547.1)	(192.6)
Loans and borrowings inflows	2,800.0	-
Bonds repayment	(2,275.9)	-
Finance lease – principal repayments	(0.3)	(0.2)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*	(348.3)	(85.6)
Dividends paid	(102.9)	-
Payment of share issuance-related consulting costs	(3.8)	-
Net cash used in financing activities	**(478.3)**	**(278.4)**
Net increase/(decrease) in cash and cash equivalents	**1,565.4**	**(5.1)**
Cash and cash equivalents at the beginning of the period	**342.2**	**270.4**
Effect of exchange rate fluctuations on cash and cash equivalents	(0.7)	0.5
Cash and cash equivalents at the end of the period**	**1,906.9**	**265.8**

* Includes impact of hedging instruments, premiums paid for early bonds' repayment and amount paid for costs related to the new financing
** Includes restricted cash amounted to PLN 12.6

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

Interim Consolidated Statement of Changes in Equity for the 6 months ended 30 June 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	**13.9**	**1,295.1**	**(9.0)**	**1,701.2**	**3,001.2**	**-**	**3,001.2**
Issue of shares	11.7	5,942.4	-	-	5,954.1	-	**5,954.1**
Dividend declared and paid	-	-	-	(102.9)	(102.9)	-	**(102.9)**
Total comprehensive income	-	-	9.0	230.3	239.3	-	**239.3**
Hedge valuation reserve	*-*	*-*	*9.0*	*-*	*9.0*	*-*	***9.0***
Net profit for the period	*-*	*-*	*-*	*230.3*	*230.3*	*-*	***230.3***
Balance as at 30 June 2014 unaudited	**25.6**	**7,237.5**	**-**	**1,828.6**	**9,091.7**	**-**	**9,091.7**

* The capital excluded from distribution amounts to PLN 8.5. 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 6 months ended 30 June 2013

	Share capital	Share premium	Other reserves	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13.9**	**1,295.1**	**(16.3)**	**1,175.7**	**2,468.4**
Total comprehensive income	-	-	3.1	175.9	**179.0**
Hedge valuation reserve	-	-	*7.4*	-	***7.4***
Currency translation adjustment	-	-	*(4.3)*	-	***(4.3)***
Net profit for the period	-	-	-	*175.9*	***175.9***
Balance as at 30 June 2013 unaudited	**13.9**	**1,295.1**	**(13.2)**	**1,351.6**	**2,647.4**

* The capital excluded from distribution amounts to PLN 4.6. 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 ('the Group'), and the Group's interest in jointly controlled entities. The Group operates in two segments: (1) services to individual and business customers 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 and 6 months ended 30 June 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read together 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 million with currency specification, all amounts presented in tables are in PLN million, except where otherwise stated)

The Group applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 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 of interim condensed consolidated fainancial statements for 6 months ended 30 June 2014. 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. Revenue

	for the 3 months ended		**for the 6 months ended**	
	30 June 2014 unaudited	**30 June 2013 unaudited**	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Retail revenue	1,204.5	452.0	1,672.3	903.6
Wholesale revenue	479.1	265.2	721.3	489.1
Sale of equipment	55.4	11.8	63.3	24.9
Other revenue	6.9	6.9	12.3	15.4
Total	**1,745.9**	**735.9**	**2,469.2**	**1,433.0**

Retail revenue mainly consists of pay-TV, telecommunication services, interconnection revenues, revenue from rental of reception equipment and contractual penalties related to terminated agreements.
Wholesale revenue mainly consists of advertising and sponsorship revenue, settlements with mobile network operators, revenue from rental of infrastructure, roaming revenues, revenue from cable and satellite operator fees, sales of broadcasting and signal transmission services and sales of licenses, sublicenses and property rights.

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

6. Operating costs

	for the 3 months ended		for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Content costs	260.9	239.5	471.5	446.9
Distribution, marketing, customer relation management and retention costs	132.2	81.3	207.6	160.3
Depreciation, amortization, impairment and disposal	311.3	62.3	373.8	123.0
Technical costs and cost of settlements with mobile network operators	288.0	62.0	359.3	122.7
Salaries and employee-related costs	108.2	41.9	152.8	85.0
Cost of equipment sold	189.7	16.8	200.0	42.7
Cost of debt collection services and bad debt allowance and receivables written off	18.1	9.3	24.8	15.7
Other costs	43.4	29.3	69.4	59.0
Total	**1,351.8**	**542.4**	**1,859.2**	**1,055.3**

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Report on review of interim financial statements

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

Introduction

We have reviewed the accompanying interim balance sheet of Cyfrowy Polsat S.A. (the 'Company') as of June 30, 2014 and the related interim income statement, interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers Sp. z o.o.

PricewaterhouseCoopers Sp. z o.o.

August 27, 2014,
Warsaw, Poland

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 6 months ended 30 June 2014

Prepared in accordance
with
International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 27 August 2014, the Management Board of Cyfrowy Polsat S.A. approved the interim condensed financial statements of 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 30 June 2014 showing a net profit for the period of:	PLN 136.8
Interim Statement of Comprehensive Income for the period	
from 1 January 2014 to 30 June 2014 showing a total comprehensive income for the period of:	PLN 145.8
Interim Balance Sheet as at	
30 June 2014 showing total assets and total equity and liabilities of:	PLN 12,974.6
Interim Cash Flow Statement for the period	
from 1 January 2014 to 30 June 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 4.6
Interim Statement of Changes in Equity for the period	
from 1 January 2014 to 30 June 2014 showing an increase in equity of:	PLN 5,997.0

Notes to the Interim Condensed Financial Statements

The interim condensed financial statements have been prepared in PLN million 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, 27 August 2014

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

Interim Income Statement

		for the 6 months ended	
	Note	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Revenue	9	987.3	954.1
Operating costs	10	(790.5)	(773.0)
Other operating income/(costs), net		2.5	(0.3)
Profit from operating activities		**199.3**	**180.8**
Gain/loss on investment activities, net	11	176.1	303.3
Finance costs	12	(248.0)	(191.2)
Gross profit for the period		**127.4**	**292.9**
Income tax		9.4	5.8
Net profit for the period		**136.8**	**298.7**
Basic and diluted earnings per share (in PLN)		**0.31**	**0.86**

Interim Statement of Comprehensive Income

		for the 6 months ended	
	Note	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Net profit for the period		**136.8**	**298.7**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	15	11.1	9.1
Income tax relating to hedge valuation	15	(2.1)	(1.7)
Items that may be reclassified subsequently to profit or loss		**9.0**	**7.4**
Other comprehensive income, net of tax		**9.0**	**7.4**
Total comprehensive income for the period		**145.8**	**306.1**

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

Interim Balance Sheet - Assets

	Note	30 June 2014 unaudited	31 December 2013
Reception equipment		384.8	407.6
Other property, plant and equipment		164.2	167.1
Goodwill		52.0	52.0
Other intangible assets		70.7	72.1
Investment property		1.9	1.9
Shares in subsidiaries	13	11,561.5	4,719.9
Non-current deferred distribution fees		28.3	29.5
Other non-current assets		18.4	12.3
Total non-current assets		**12,281.8**	**5,462.4**
Inventories		148.9	144.7
Trade and other receivables		311.7	214.3
Income tax receivables		28.0	-
Current deferred distribution fees		71.4	70.1
Other current assets		102.1	105.1
Cash and cash equivalents		30.7	26.1
Total current assets		**692.8**	**560.3**
Total assets		**12,974.6**	**6,022.7**

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

Interim Balance Sheet - Equity and Liabilities

	Note	30 June 2014 unaudited	31 December 2013
Share capital	14	25.6	13.9
Share premium	14	7,237.5	1,295.1
Hedge valuation reserve	15	-	(9.0)
Retained earnings		2,155.1	2,121.2
Total equity		**9,418.2**	**3,421.2**
Loans and borrowings	16	2,290.2	239.9
Issued bonds	17	-	1,322.7
Finance lease liabilities		1.1	1.5
Deferred tax liabilities		88.5	93.8
Deferred income		2.8	4.1
Other non-current liabilities and provisions		8.7	7.2
Total non-current liabilities		**2,391.3**	**1,669.2**
Loans and borrowings	16	665.4	297.3
Issued bonds	17	-	112.2
Finance lease liabilities		1.5	2.2
Trade and other payables		282.8	304.7
Income tax liability		-	3.9
Deposits for equipment		2.6	2.7
Deferred income		212.8	209.3
Total current liabilities		**1,165.1**	**932.3**
Total liabilities		**3,556.4**	**2,601.5**
Total equity and liabilities		**12,974.6**	**6,022.7**

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

Interim Cash Flow Statement

	Note	for the 6 months ended 30 June 2014 unaudited	for the 6 months ended 30 June 2013 unaudited
Net profit		**136.8**	**298.7**
Adjustments for:		**86.4**	**(116.9)**
Depreciation, amortization, impairment and disposal	10	108.2	106.4
(Gain)/loss on sale of property, plant and equipment and intangible assets		(0.3)	0.1
Interest expense		138.0	106.2
Change in inventories		(4.2)	3.7
Change in receivables and other assets		(20.0)	13.3
Change in liabilities, provisions and deferred income		(1.4)	(49.8)
Valuation of hedging instruments		11.1	9.1
Foreign exchange losses, net		22.7	81.8
Income tax		(9.4)	(5.8)
Net increase in reception equipment provided under operating lease		(65.3)	(81.8)
Dividends income		(166.8)	(303.2)
Other adjustments		73.8	3.1
Cash from operating activities		**223.2**	**181.8**
Income tax (paid)/received		(30.0)	1.4
Interest received from operating activities		0.7	0.6
Net cash from operating activities		**193.9**	**183.8**
Dividends received		91.2	164.4
Proceeds from forward instruments (USD)		8.1	-
Proceeds from sale of property, plant and equipment		0.7	0.1
Loans granted		(4.0)	-
Acquisition of property, plant and equipment		(17.0)	(31.6)
Acquisition of intangible assets		(22.1)	(18.1)
Share capital increase in subsidiaries and acquisition of shares	13	(883.7)	(131.0)
Net cash used in investing activities		**(826.8)**	**(16.2)**
Term loans received	16	2,800.0	-
Net cash from Cash Pool with paid interest		170.6	100.5
Proceeds from forward instruments (EUR)		2.9	-
Finance lease – principal repayments		(1.0)	(1.1)
Payment of share issuance-related consulting costs		(3.8)	-
Dividend paid		(102.9)	-
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(209.2)	(91.9)
Repayment of loans and borrowings	16	(547.1)	(192.6)
Bonds redemption	17	(1,472.0)	-
Net cash from/(used in) financing activities		**637.5**	**(185.1)**
Net increase/(decrease) in cash and cash equivalents		**4.6**	**(17.5)**
Cash and cash equivalents at the beginning of period		**26.1**	**59.3**
Effect of exchange rate fluctuations on cash and cash equivalents		0.0	0.0
Cash and cash equivalents at the end of period		**30.7**	**41.8**

* Includes impact of hedging instruments, premium paid for early bonds' repayment and amount paid for costs related to new financing

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

Interim Statement of Changes in Equity for the 6 months ended 30 June 2014

	Note	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2014		**13.9**	**1,295.1**	**(9.0)**	**2,121.2**	**3,421.2**
Issue of shares	14	11.7	5,942.4	-	-	**5,954.1**
Dividend declared and paid	14	-	-	-	(102.9)	**(102.9)**
Total comprehensive income		-	-	9.0	136.8	**145.8**
Hedge valuation reserve		-	-	*9.0*	-	***9.0***
Net profit for the period		-	-	-	*136.8*	***136.8***
Balance as at 30 June 2014 unaudited		**25.6**	**7,237.5**	**-**	**2,155.1**	**9,418.2**

* The capital excluded from distribution amounts to PLN 8.5. 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 6 months ended 30 June 2013

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2013	**13.9**	**1,295.1**	**(20.6)**	**1,692.1**	**2,980.5**
Total comprehensive income	-	-	7.4	298.7	**306.1**
Hedge valuation reserve	-	-	*7.4*	-	***7.4***
Net profit for the period	-	-	-	*298.7*	***298.7***
Balance as at 30 June 2013 unaudited	**13.9**	**1,295.1**	**(13.2)**	**1,990.8**	**3,286.6**

* The capital excluded from distribution amounts to PLN 4.6. 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 was incorporated under the Notary Deed dated 30 October 1996.

The Company is the Parent Company of the Cyfrowy Polsat S.A. Capital Group (the 'Group'). The Group encompasses the Company, Metelem Holding Company Limited ('Metelem') and its subsidiaries and jointly controlled entities, Telewizja Polsat Sp. z o.o. and its subsidiaries and jointly controlled entities, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, 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.

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 6 months ended 30 June 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together 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 6 months ended 30 June 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. Till the end of year 2013 cost of acquisition or production cost of inventories was based on the first-in first-out principle. From 1 January 2014 cost of acquisition or production cost of inventories is determined by using the weighted average cost of acquisition or production cost of inventory. Retrospective 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 27 August 2014.

7. Information on Seasonality

Revenue of the Company is not directly subject to any seasonal trend.

8. Change in presentation

The Company has changed presentation of revenue and operating costs in the interim condensed income statement. None of the introduced changes affected the previously reported amounts of revenue, costs, net profit for the period, EBITDA, or equity.

Pursuant to the new presentation, wholesale revenue contains transmission services revenue, advertising and sponsorship revenue and sales of licenses, sublicenses and property rights (presented within Other revenues in previous periods).

Change in presentation of operating costs involved grouping of cost items within new cost category: technical costs and costs of settlements with mobile network operators which contain broadcasting and signal transmission costs, cost of settlements with mobile network operators and interconnection charges, infrastructure rental costs (presented within Other costs in previous periods) and IT services costs (presented within Other costs in previous periods). Content costs mainly contain programming costs.

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

Comparable results for the 6 months ended 30 June 2013 have been reclassified to conform to the current period presentation as presented in the table below. Reclassifications have also been made in the notes to the interim condensed financial statements.

		Change in presentation Restated data for the for the 6 months ended 30 June 2013			
	30 June 2013 *(reported)*	**Retail revenue**	**Wholesale revenue**	**Sale of equipment**	**Other revenue**
Retail revenue	902.7	901.9	0.8	-	-
Sale of equipment	24.9	-	-	24.9	-
Other revenue	26.5	-	16.0	-	10.5
Total	**954.1**	**901.9**	**16.8**	**24.9**	**10.5**

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

		Change in presentation Restated data for the for the 6 months ended 30 June 2013							
	30 June 2013 *(reported)*	**Content costs**	**Distribution, marketing, customer relation management and retention costs**	**Depreciation, amortization, impairment and disposal**	**Technical costs and costs of settlements with mobile network operators**	**Salaries and employee-related costs**	**Cost of equipment sold**	**Cost of debt collection services and bad debt allowance and receivables written off**	**Other costs**
Programming costs	235.4	235.4	-	-	-	-	-	-	-
Distribution, marketing, customer relation management and retention costs	164.2	-	164.2	-	-	-	-	-	-
Depreciation, amortization and impairment	106.4	-	-	106.4	-	-	-	-	-
Salaries and employee-related costs	53.0	-	-	-	-	53.0	-	-	-
Broadcasting and signal transmission costs	46.0	-	-	-	46.0	-	-	-	-
Cost of equipment sold	42.6	-	-	-	-	-	42.6	-	-
Cost of settlements with mobile network operators and interconnection charges	32.5	-	-	-	32.5	-	-	-	-
Cost of debt collection services and bad debt allowance and receivables written off	17.4	-	-	-	-	-	-	17.4	-
Other costs	75.5	3.1	-	-	11.3	-	-	-	61.1
Total	**773.0**	**238.5**	**164.2**	**106.4**	**89.8**	**53.0**	**42.6**	**17.4**	**61.1**

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

9. Revenue

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Retail revenue	938.9	901.9
Wholesale revenue	18.4	16.8
Sale of equipment	20.7	24.9
Other revenue	9.3	10.5
Total	**987.3**	**954.1**

Retail revenue mainly consists of pay-TV, telecommunication services, interconnection revenues, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

10. Operating costs

		for the 6 months ended	
	Note	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Content costs		242.3	238.5
Distribution, marketing, customer relation management and retention costs		155.9	164.2
Depreciation, amortization, impairment and disposal		108.2	106.4
Technical costs and costs of settlements with mobile network operators		111.3	89.8
Salaries and employee-related costs	a	64.1	53.0
Cost of equipment sold		24.7	42.6
Cost of debt collection services and bad debt allowance and receivables written off		19.1	17.4
Other costs		64.9	61.1
Total		**790.5**	**773.0**

a) Salaries and employee-related costs

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Salaries	53.4	43.6
Social security contributions	8.6	7.7
Other employee-related costs	2.1	1.7
Total	**64.1**	**53.0**

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

11. Gain/loss on investment activities, net

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Dividends received	166.8	303.2
Guarantee fees from related parties	3.3	4.5
Interest expense	(0.1)	(0.2)
Other foreign exchange losses, net	(2.0)	(4.2)
Realization of USD forward	8.1	-
Total	**176.1**	**303.3**

12. Finance costs

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Interest expense on loans and borrowings	56.7	36.6
Interest expense on issued bonds	70.4	62.8
Early redemption costs (see note 17)	82.1	-
Foreign exchange differences on issued bonds	22.7	81.8
Valuation and realization of hedging instruments	4.6	6.6
Valuation and realization of instruments not under hedge accounting	4.2	-
Guarantee fees	3.0	1.5
Bank and other charges	4.3	1.9
Total	**248.0**	**191.2**

13. Shares in subsidiaries

	31 December 2013	**Additions**	**Decreases**	**30 June 2014 unaudited**
Metelem Holding Company Limited	-	6,841.4	-	6,841.4
Telewizja Polsat Sp. z o.o.	3,899.0	-	-	3,899.0
Cyfrowy Polsat Trade Marks Sp. z o.o.	615.4	-	-	615.4
Redefine Sp. z o.o.	128.7	-	-	128.7
INFO-TV-FM Sp. z o.o.	29.3	-	-	29.3
Netshare Sp. z o.o.	23.3	-	-	23.3
Gery.pl Sp. z o.o.	15.3	-	-	15.3
Frazpc.pl Sp. z o.o.	6.5	-	-	6.5
Karpacka Telewizja Kablowa Sp. z o.o.	2.2	0.2	-	2.4
Cyfrowy Polsat Finance AB	0.2	-	-	0.2
Total	**4,719.9**	**6,841.6**	**-**	**11,561.5**

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 European Bank for Reconstruction and Development (“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 and each of the shareholders accepted the offer of the Company and acquired free registered subscription warrants 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 (not in millions) each. The fair value of shares was equal to PLN 20.46 (not in millions) each – the closing price of Company’s shares as at 7 May 2014. Share issuance-related consulting costs in amount of PLN 3,8 have been recognized as a reduction of the share premium.

On 23 May 2014 the Company acquired 212,000 new ordinary shares in the increased share capital of its subsidiary Metelem, with the nominal value of EUR 1 (not in millions) per share and the issue price of EUR 1,000 (not in millions) per share. The total issue price for the New Shares amounts to EUR 212 (PLN 883.5).

Metelem is an indirect parent company to Polkomtel Sp. z o.o. - operator of the "Plus" mobile network.

Karswell and Argumenol are controlled by Mr. Zygmunt Solorz-Żak, ultimate controlling party of the Company. Sensor is controlled by Mr. Heronim Ruta.

14. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 June 2014:

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Series I	47,260,690	1.9	ordinary bearer shares
Series J	243,932,490	9.8	ordinary bearer shares
Total	**639,546,016**	**25.6**	

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

Share series	Number of shares	Nominal value of shares	Type of shares
Series A	2,500,000	0.1	preference shares (2 voting rights)
Series B	2,500,000	0.1	preference shares (2 voting rights)
Series C	7,500,000	0.3	preference shares (2 voting rights)
Series D	166,917,501	6.7	preference shares (2 voting rights)
Series D	8,082,499	0.3	ordinary bearer shares
Series E	75,000,000	3.0	ordinary bearer shares
Series F	5,825,000	0.2	ordinary bearer shares
Series H	80,027,836	3.2	ordinary bearer shares
Total	**348,352,836**	**13.9**	

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

The shareholders' structure as at 30 June 2014 was as follows:

	Number of shares	Nominal value of shares	% of share capital held	Number of votes	% of voting rights
Karswell Ltd. [1]	157,988,268	6.3	24.70%	157,988,268	19.29%
Reddev Investments Ltd. [2]	154,204,296	6.2	24.11%	306,709,172	37.45%
Argumenol Investment Company Ltd. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
European Bank for Reconstruction and Development	47,260,690	1.9	7.39%	47,260,690	5.77%
Other	167,107,268	6.7	26.13%	167,278,518	20.43%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] Entity is controlled by Mr. Zygmunt Solorz-Żak

[2] Reddev Investments Ltd. is a direct subsidiary of Pola Investments Ltd., an entity controlled by the TiVi Foundation, the parent entity of which is Mr. Zygmunt Solorz-Żak

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

The shareholders' structure 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	6.2	44.27%	306,709,172	58.11%
Sensor Overseas Ltd. [2]	25,341,272	1.0	7.27%	50,382,647	9.55%
Other	168,807,268	6.7	48.46%	170,678,518	32.34%
Total	**348,352,836**	**13.9**	**100%**	**527,770,337**	**100%**

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

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

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 11.7 by the issue of up to 291,193,180 ordinary bearer shares.

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 were offered to the vendors of shares in Metelem.

On 2 April 2014 the registration of a conditional increase of the Company's share capital for the purposes of the transaction of the takeover of Metelem by the Company took place.

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 (the 'WSE').

On 12 May 2014 the Management Board of 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 (not in millions) 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 on 12 May 2014 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 (not in millions) 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.

(ii) Share premium

Share premium includes the excess of issue value over the nominal value of shares issued decreased by share issuance-related consulting costs.

(iii) Retained earnings

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 429.0 is appropriated as follows: (i) PLN 102.9 to dividends payable to the shareholders of the Company, (ii) the remaining portion of the net profit, i.e. PLN 326.1 to the supplementary capital.

15. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2014	**2013**
Balance as at 1 January	**(9.0)**	**(20.6)**
Valuation of cash flow hedges	-	8.9
Amount transferred to income statement	11.1	0.2
Deferred tax	(2.1)	(1.7)
Change for period	**9.0**	**7.4**
Balance as at 30 June unaudited	**-**	**(13.2)**

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

Due to the repayment of existing debt and its replacement with new credit facility (see note 16) the hedge of existing debt was ended and the amounts presented in hedge valuation reserve were transferred to profit and loss.

In the 6 months ended 30 June 2013 the hedge was valued at PLN 8.9 (positive), with PLN 0.2 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 9.1 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 7.4 (positive), including deferred tax.

16. Loans and borrowings

Loans and borrowings	**30 June 2014 unaudited**	**31 December 2013**
Short-term liabilities	665.4	297.3
Long-term liabilities	2,290.2	239.9
Total	**2,955.6**	**537.2**

Change in loans and borrowings liabilities:

	2014	**2013**
Loans and borrowings as at 1 January	**537.2**	**903.4**
Repayment of capital	(547.1)	(192.6)
Repayment of interest and commissions	(62.1)*	(25.4)
Facilities agreement	2,800	-
Net cash from Cash Pool	170.9	101.1
Interest accrued	56.7	36.6
Loans and borrowings as at 30 June unaudited	**2,955.6**	**823.1**

* Includes amount paid for costs related to new financing

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 provides the granting of a term facility loan ("Term Facility Loan") up to the maximum amount of PLN 2,500 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500 ("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 of indebtedness, 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 were used by the Company in particular 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
c) the 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.

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.

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

17. Issued bonds

	30 June 2014 unaudited	31 December 2013
Short-term liabilities	-	112.2
Long-term liabilities	-	1,322.7
Total	**-**	**1,434.9**

Change in issued bonds payable:

	2014	2013
Issued bonds payable as at 1 January	**1,434.9**	**1,409.3**
Bonds redemption	(1,472.0)	-
Foreign exchange losses	22.7	81.8
Early redemption costs	82.1	-
Repayment of interest and commissions	(138.1)*	(59.4)
Interest accrued	70.4	62.8
Issued bonds payable as at 30 June unaudited	**-**	**1,494.5**

* Includes payment of the early redemption costs

The funds for repayment of the bonds have been derived from a term facility issued to the Company on 11 April 2014 (see note 16).

18. Transactions with related parties

Receivables

	30 June 2014 unaudited	31 December 2013
Subsidiaries	98.2*	7.4
Jointly controlled entities	0.4	0.7
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.4	5.8
Total	**100.0**	**13.9**

*Mainly receivables from dividends

Other assets

	30 June 2014 unaudited	31 December 2013
Subsidiaries	32.0	2.2
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	63.9	98.6
Total	**95.9**	**100.8**

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

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

On 27 March 2014 the Company and Mobyland signed a memorandum of understanding to the data transfer services agreement dated 15 December 2010 under which the previously paid by the Company data 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. At the date of 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 21.

Liabilites

	30 June 2014 unaudited	31 December 2013
Subsidiaries	52.3	27.3
Jointly controlled entities	1.1	0.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.7	0.1
Total	**55.1**	**27.8**

Liabilities comprise mainly from liabilities resulting from the agreement with Polkomtel for the provision of data transfer services and from fees for using "Cyfrowy Polsat" trade mark.

Loans granted

	30 June 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 Cyfrowy Polsat S.A.	4.0	-
Total	**4.0**	**-**

Bond liabilities

	30 June 2014 unaudited	31 December 2013
Subsidiaries	-	1,434.9
Total	**-**	**1,434.9**

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

Revenues

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Subsidiaries	16.3	10.8
Jointly controlled entities	0.0	0.0
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	1.7	3.6
Total	**18.0**	**14.4**

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 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Subsidiaries	120.4	105.0
Jointly controlled entities	1.4	1.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	47.5	40.4
Total	**169.3**	**146.8**

The most significant transactions include license fees for broadcasting programs: Polsat Film HD, Polsat Romans, 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.

Gain/loss on investment activities, net

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Subsidiaries	170.2	307.8
Total	**170.2**	**307.8**

Gains and losses on investment activities comprises mostly of dividends and also income from guarantees granted by the Company in respect to settlement of bonds issued by Cyfrowy Polsat Finance AB.

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

Finance costs

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Subsidiaries	155.8	64.3
Total	**155.8**	**64.3**

Finance costs comprise mostly of interest on bonds, early redemption costs (see note 17) and also guarantee fees in respect to settlement of Term Facility (including Senior Facility loan which was repaid as well as Term Facility loan currently taken).

The acquisition of shares in Metelem was presented in note 13.

19. Litigations

Management believes that the provisions as at 30 June 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.

Till the day of approval of these interim condensed financial statements there were no significant changes in the litigations as presented in financial statements for the year ended 31 December 2013.

20. 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. These interim condensed financial statements should be read in conjunction with the Company's annual financial statements for the year ended as at 31 December 2013. There have been no significant changes in the risk management department or in any risk management policies since the end of year 2013.

Liquidity risk

Compared to end of year 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

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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.

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

			30 June 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	302.0	302.0	210.9	210.9
Loans granted to related parties	A	2	4.0	4.0	-	-
IRS	B	2	(3.6)	(3.6)	(8.0)	(8.0)
CIRS	B	2	-	-	(4.1)	(4.1)
Cash and cash equivalents	A	2	30.7	30.7	26.1	26.1
Loans and borrowings	C	2	(3,020.9)	(2,955.6)	(567.8)	(537.2)
Issued bonds	C	2	-	-	(1,613.0)	(1,434.9)
Finance lease liabilities	C	2	(2.6)	(2.6)	(3.7)	(3.7)
Accruals	C	2	(96.6)	(96.6)	(123.4)	(123.4)
Trade and other payables and deposits	C	2	(142.7)	(142.7)	(132.2)	(132.2)
Total			**(2,929.7)**	**(2,864.4)**	**(2,215.2)**	**(2,006.5)**
Unrecognized gain/(loss)				(65.3)		(208.7)

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 assumed date of repayment of lease agreements were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate plus a margin regarding the Company's credit risk.

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

When determining the fair value of loans granted, forecasted cash flows from the reporting date to assumed dates of repayments of the loans were analyzed. The discount rate for each payment was calculated as an applicable WIBOR interest rate plus a margin regarding the 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 30 June 2014 loans and borrowings comprised senior facility, revolving facility loan and Cash Pool and as at 31 December 2013 senior facility and Cash Pool. When determining the fair value of senior facility as at 30 June 2014, forecasted cash flows from the reporting date to 11 April 2019 (assumed date of repayment of the loan) were analyzed. When determining the fair value of revolving facility as at 30 June 2014, forecasted cash flows from the reporting date to 30 June 2016 (assumed 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 Company's credit risk. The fair value of Cash Pool and revolving facility loan 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 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 30 June 2014, the Company held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value	**30 June 2014 Unaudited**	**Level 1**	**Level 2**	**Level 3**
IRS		-	(3.6)	-
Total		**-**	**(3.6)**	**-**

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		-	(8.0)	-
CIRS		-	(4.1)	-
Total		**-**	**(12.1)**	**-**

21. 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 millions) 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 approximately 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 of the 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 millions) per 1 MB. The total value of Order No. 1 amounts to PLN 298.0 net, 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 6.7;
(ii) for every month from January to December 2015 - in the net amount of PLN 10.0;
(iii) for every month from January to December 2016 - in the net amount of PLN 8.2.

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. The date of settlement of these transactions was defined as 6 May 2014, with the average PLN/EUR exchange rate at the level of 4.1979 PLN/EUR. As a result of settlement of these transactions the Company recognized a gain in amount PLN 2.9.

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. 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. As a result of settlement of these transactions the Company recognized a gain in amount PLN 8.1 (see note 11).

22. Events subsequent to the reporting date

Appointment of a new Member of the Management Board of Cyfrowy Polsat S.A.

On 30 July 2014 the Supervisory Board adopted a resolution appointing Mr. Tobias Solorz to the position of Member of the Management Board as of 1 September 2014. Following the registration of amendments to the Articles of association of the Company by the court, Mr. Tobias Solorz will take up the position of Vice-president of the Management Board.

Conclusion of Interest Rate Swap transactions

On 31 July 2014 and 1 August 2014 the Company executed Interest Rate Swap (IRS) transactions ("Transactions") consisting in exchanging interest payments based on the floating rate WIBOR 3M for interest payments based on an average fixed rate of 2.50% with the following banks: ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Spółka Akcyjna, Oddział w Polsce, Bank Zachodni WBK S.A., BNP Paribas SA and Bank Polska Kasa Opieki SA.
The Transactions were concluded for the period from 30 September 2014 until 31 December 2016 and the total nominal value of the loan being hedged is PLN 1,136.5.

23. Other disclosures

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 (see note 16). Detailed information in respect to the agreements is presented in the Management Report in note 12.

Other securities

The Company provided to its subsidiary a guarantee in the amount of EUR 84 in respect to a programming purchase contract.

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 0.2 as at 30 June 2014 (PLN 1.9 as at 31 December 2013). Total amount of capital commitments resulting from agreements on property improvements was PLN 0.2 as at 30 June 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 30 June 2014 was PLN 0.7 (PLN 2.0 as at 31 December 2013).

24. Judgments, financial estimates and assumptions

The preparation of interim condensed 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.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for 3 and 6 months ended 30 June 2014

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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

Interim Income Statement

	Note	for the 3 months ended		for the 6 months ended	
		30 June 2014 unaudited	30 June 2013 unaudited	30 June 2014 unaudited	30 June 2013 unaudited
Revenue	5	499.4	476.6	987.3	954.1
Operating costs	6	(409.5)	(389.9)	(790.5)	(773.0)
Other operating income/(costs), net		(1.1)	(0.7)	2.5	(0.3)
Profit from operating activities		**88.8**	**86.0**	**199.3**	**180.8**
Gain/loss on investment activities, net		174.5	280.0	176.1	303.3
Finance costs		(129.8)	(106.6)	(248.0)	(191.2)
Gross profit for the period		**133.5**	**259.4**	**127.4**	**292.9**
Income tax		6.9	4.4	9.4	5.8
Net profit for the period		**140.4**	**263.8**	**136.8**	**298.7**
Basic and diluted earnings per share (in PLN)		**0.27**	**0.76**	**0.31**	**0.86**

Interim Statement of Comprehensive Income

	for the 3 months ended		for the 6 months ended	
	30 June 2014 unaudited	30 June 2013 unaudited	30 June 2014 unaudited	30 June 2013 unaudited
Net profit for the period	**140.4**	**263.8**	**136.8**	**298.7**
Items that may be reclassified subsequently to profit or loss:				
Valuation of hedging instruments	-	5.4	11.1	9.1
Income tax relating to hedge valuation	-	(1.0)	(2.1)	(1.7)
Items that may be reclassified subsequently to profit or loss	**-**	**4.4**	**9.0**	**7.4**
Other comprehensive income, net of tax	**-**	**4.4**	**9.0**	**7.4**
Total comprehensive income for the period	**140.4**	**268.2**	**145.8**	**306.1**

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

Interim Balance Sheet - Assets

	30 June 2014 unaudited	31 December 2013
Reception equipment	384.8	407.6
Other property, plant and equipment	164.2	167.1
Goodwill	52.0	52.0
Other intangible assets	70.7	72.1
Investment property	1.9	1.9
Shares in subsidiaries	11,561.5	4,719.9
Non-current deferred distribution fees	28.3	29.5
Other non-current assets	18.4	12.3
Total non-current assets	**12,281.8**	**5,462.4**
Inventories	148.9	144.7
Trade and other receivables	311.7	214.3
Income tax receivables	28.0	-
Current deferred distribution fees	71.4	70.1
Other current assets	102.1	105.1
Cash and cash equivalents	30.7	26.1
Total current assets	**692.8**	**560.3**
Total assets	**12,974.6**	**6,022.7**

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Interim Balance Sheet - Equity and Liabilities

	30 June 2014 unaudited	31 December 2013
Share capital	25.6	13.9
Share premium	7,237.5	1,295.1
Hedge valuation reserve	-	(9.0)
Retained earnings	2,155.1	2,121.2
Total equity	**9,418.2**	**3,421.2**
Loans and borrowings	2,290.2	239.9
Issued bonds	-	1,322.7
Finance lease liabilities	1.1	1.5
Deferred tax liabilities	88.5	93.8
Deferred income	2.8	4.1
Other non-current liabilities and provisions	8.7	7.2
Total non-current liabilities	**2,391.3**	**1,669.2**
Loans and borrowings	665.4	297.3
Issued bonds	-	112.2
Finance lease liabilities	1.5	2.2
Trade and other payables	282.8	304.7
Income tax liability	-	3.9
Deposits for equipment	2.6	2.7
Deferred income	212.8	209.3
Total current liabilities	**1,165.1**	**932.3**
Total liabilities	**3,556.4**	**2,601.5**
Total equity and liabilities	**12,974.6**	**6,022.7**

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Interim Cash Flow Statement

	for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**
Net profit	**136.8**	**298.7**
Adjustments for:	**86.4**	**(116.9)**
Depreciation, amortization, impairment and disposal	108.2	106.4
(Gain)/loss on sale of property, plant and equipment and intangible assets	(0.3)	0.1
Interest expense	138.0	106.2
Change in inventories	(4.2)	3.7
Change in receivables and other assets	(20.0)	13.3
Change in liabilities, provisions and deferred income	(1.4)	(49.8)
Valuation of hedging instruments	11.1	9.1
Foreign exchange losses, net	22.7	81.8
Income tax	(9.4)	(5.8)
Net increase in reception equipment provided under operating lease	(65.3)	(81.8)
Dividends income	(166.8)	(303.2)
Other adjustments	73.8	3.1
Cash from operating activities	**223.2**	**181.8**
Income tax (paid)/received	(30.0)	1.4
Interest received from operating activities	0.7	0.6
Net cash from operating activities	**193.9**	**183.8**
Dividends received	91.2	164.4
Proceeds from forward instruments (USD)	8.1	-
Proceeds from sale of property, plant and equipment	0.7	0.1
Loans granted	(4.0)	-
Acquisition of property, plant and equipment	(17.0)	(31.6)
Acquisition of intangible assets	(22.1)	(18.1)
Share capital increase in subsidiaries and acquisition of shares	(883.7)	(131.0)
Net cash used in investing activities	**(826.8)**	**(16.2)**
Term loans received	2,800.0	-
Net cash from Cash Pool with paid interest	170.6	100.5
Proceeds from forward instruments (EUR)	2.9	-
Finance lease – principal repayments	(1.0)	(1.1)
Payment of share issuance-related consulting costs	(3.8)	-
Dividend paid	(102.9)	-
Payment of interest on loans, borrowings, bonds, finance lease and commissions*	(209.2)	(91.9)
Repayment of loans and borrowings	(547.1)	(192.6)
Bonds redemption	(1,472.0)	-
Net cash from/(used in) financing activities	**637.5**	**(185.1)**
Net increase/(decrease) in cash and cash equivalents	**4.6**	**(17.5)**
Cash and cash equivalents at the beginning of period	**26.1**	**59.3**
Effect of exchange rate fluctuations on cash and cash equivalents	0.0	0.0
Cash and cash equivalents at the end of period	**30.7**	**41.8**

* Includes impact of hedging instruments, premium paid for early bonds' repayment and amount paid for costs related to new financing

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Interim Statement of Changes in Equity for the 6 months ended 30 June 2014

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**2,121.2**	**3,421.2**
Issue of shares	11.7	5,942.4	-	-	**5,954.1**
Dividend declared and paid	-	-	-	(102.9)	**(102.9)**
Total comprehensive income	-	-	9.0	136.8	**145.8**
Hedge valuation reserve	-	-	*9.0*	-	***9.0***
Net profit for the period	-	-	-	*136.8*	***136.8***
Balance as at 30 June 2014 unaudited	**25.6**	**7,237.5**	**-**	**2,155.1**	**9,418.2**

* The capital excluded from distribution amounts to PLN 8.5. 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 6 months ended 30 June 2013

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2013	**13.9**	**1,295.1**	**(20.6)**	**1,692.1**	**2,980.5**
Total comprehensive income	-	-	7.4	298.7	**306.1**
Hedge valuation reserve	-	-	*7.4*	-	***7.4***
Net profit for the period	-	-	-	*298.7*	***298.7***
Balance as at 30 June 2013 unaudited	**13.9**	**1,295.1**	**(13.2)**	**1,990.8**	**3,286.6**

* The capital excluded from distribution amounts to PLN 4.6. 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 for 3 and 6 months ended 30 June 2014

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 was incorporated under the Notary Deed dated 30 October 1996.

The Company is the Parent Company of Cyfrowy Polsat S.A. Capital Group (the 'Group'). The Group encompasses the Company, Metelem Holding Company Limited and its subsidiaries and jointly controlled entities, Telewizja Polsat Sp. z o.o. and its subsidiaries and jointly controlled entities, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, 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.

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.

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4. Basis of preparation of the interim condensed financial statements

Statement of compliance

These interim condensed financial statements for 3 and 6 months ended 30 June 2014 have been prepared in accordance with the International Accounting Standard 34 *Interim Financial Reporting*. These interim condensed financial statements should be read together 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 (IFRS EU). The Company applied the same accounting policies in the preparation of the financial data for 3 and 6 months ended 30 June 2014 and the financial statements for the year 2013, presented in the annual report, except for the EU-endorsed standards and interpretations which are effective for the reporting periods beginning on or after 1 January 2014 and changes to the accounting policies presented in note 5 of the interim condensed financial statements for 6 months ended 30 June 2014.

The most recent published annual financial statements were prepared and audited for the year ended 31 December 2013. Annual financial statements fully disclose accounting policies approved by the Company.

5. Revenue

	for the 3 months ended		for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Retail revenue	471.1	451.3	938.9	901.9
Wholesale revenue	11.0	8.5	18.4	16.8
Sale of equipment	12.8	11.8	20.7	24.9
Other revenue	4.5	5.0	9.3	10.5
Total	**499.4**	**476.6**	**987.3**	**954.1**

Retail revenue mainly consists of pay-TV, telecommunication services, interconnection revenues, revenue from rental of reception equipment and contractual penalties related to terminated agreements.

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6. Operating costs

	for the 3 months ended		for the 6 months ended	
	30 June 2014 unaudited	**30 June 2013 unaudited**	**30 June 2014 unaudited**	**30 June 2013 unaudited**
Content costs	122.5	119.4	242.3	238.5
Distribution, marketing, customer relation management and retention costs	79.3	85.4	155.9	164.2
Depreciation, amortization, impairment and disposal	55.7	54.1	108.2	106.4
Technical costs and costs of settlements with mobile network operators	57.0	46.9	111.3	89.8
Salaries and employee-related costs	34.0	26.1	64.1	53.0
Cost of equipment sold	14.4	16.9	24.7	42.6
Cost of debt collection services and bad debt allowance and receivables written off	12.2	10.0	19.1	17.4
Other costs	34.4	31.1	64.9	61.1
Total	**409.5**	**389.9**	**790.5**	**773.0**