CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the three month period ended
September 30, 2014

Place and date of publication: Warsaw, November 13, 2014

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REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF CYFROWY POLSAT S.A. CAPITAL GROUP FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30,2014

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 26 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. As at the end of September 2014, we had almost 6.2 million clients and provided nearly 16.4 million active services, 74.4% of which were contract services.

Our vision and main strategic goals

We create and deliver the most attractive content and telecommunication products, using state-of-the-art technologies to provide top quality multi-play services that match the changing needs of the market, while building 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 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 programming 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 quarterly report of Cyfrowy Polsat Capital Group S.A. prepared as required by Paragraph 82 section 1 and 2 and Paragraph 87 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. A glossary of terms used in this report is presented at the end of this document.

1.1. Financial and operating data

This quarterly report contains financial statements and financial information relating to the Company and the Group. In particular, this quarterly report contains our quarterly condensed consolidated financial statement for 3 and 9-month periods ended September 30, 2014 and quarterly condensed financial statement for the 3 and 9-month periods ended September 30, 2014. The financial statements attached to this quarterly report have been prepared in accordance with International Accounting Standard no. 34 “Interim Financial Reporting” (“IAS 34”) and are presented in millions of zlotys. The financial statements were not audited by an independent auditor.

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

1.2. Currency presentation

Unless otherwise indicated, in this quarterly report all references to "PLN" or "zloty" are to the lawful currency of the Republic of Poland; all references to “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 quarterly 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 quarterly report. By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. We caution you not to base investment decisions on such statements, which speak only as at the date of this quarterly report.

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

1.4. Industry and market data

In this quarterly 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 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 quarterly 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 9-month periods ended September 30, 2014 and September 30, 2013. The selected financial data presented in the tables below is expressed in millions of PLN, unless otherwise stated. This information should be read in conjunction with interim condensed consolidated financial statement for the 3 and 9-month periods ended September 30, 2014 and the information included in item 11 of this quarterly 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 S.A. Capital 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, EBITDA or total equity, presented by Cyfrowy Polsat Capital Group in previous periods.

Selected financial data:

- from the consolidated income statement for the 3-month period ended September 30, 2014 and September 30, 2013 have been converted into euro at a rate of PLN 4.1760 per EUR 1.00, being the average of monthly average exchange rates announced by the NBP in the reporting period i.e. from July 1 to September 30, 2014;
- from the consolidated income statement and the consolidated cash flow statement for the 9 month period ended September 30, 2014 and September 30, 2013 have been converted into euro at a rate of PLN 4.1757 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 September 30, 2014;

- from the consolidated balance sheet data as at September 30, 2014 and December 31, 2013 have been converted into euro at a rate of PLN 4.1755 per EUR 1.00 (average exchange rate published by NBP on September 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 9 months ended September 30, 2014 are not fully comparable to data for the periods of 3 and 9 months ended September 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 statements prepared by the Group for the 3 and 9 month periods ended September 30, 2014 consolidate the results of Metelem Group for the period from May 7, 2014 to September 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.

	September 30, 2014		December 31, 2013	
	mPLN	mEUR	mPLN	mEUR
Consolidated balance sheet				
Cash and cash equivalents	1,673.2	400.7	342.2	82.0
Assets	27,481.2	6,581.5	5,676.2	1,359.4
Non-current liabilities	14,223.8	3,406.5	1,700.2	407.2
Current liabilities	4,126.7	988.3	974.8	233.5
Equity	9,130.7	2,186.7	3,001.2	718.8
Share capital	25.6	6.1	13.9	3.3

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

	For the 9-month period ended			
	September 30, 2014		September 30, 2013	
	mPLN	mEUR	mPLN	mEUR
Consolidated cash flow statement				
Net cash flow from operating activities	1,321.8	316.5	519.4	124.4
Net cash flow from/(used in) investment activities	1,042.3	249.6	(110.2)	(26.4)
Net cash flow used in financial activities	(1,064.0)	(254.8)	(464.4)	(111.2)
Net change in cash and cash equivalents	1,300.1	311.3	(55.2)	(13.2)

	for the 3 month period ended September 30				for the 9 month period ended September 30			
	2014		2013		2014		2013	
	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR	mPLN	mEUR
Consolidated income statement								
Retail revenue	1,710.7	409.7	460.3	110.2	3,383.0	810.2	1,363.9	326.6
Wholesale revenue	591.6	141.7	204.0	48.9	1,312.9	314.4	693.1	166.0
Sale of equipment	104.1	24.9	7.1	1.7	167.4	40.1	32.0	7.7
Other sales revenue	13.2	3.2	5.9	1.4	25.5	6.1	21.3	5.1
Revenue	**2,419.6**	**579.4**	**677.3**	**162.2**	**4,888.8**	**1,170.8**	**2,110.3**	**505.4**
Content costs	(262.4)	(62.8)	(219.3)	(52.5)	(733.9)	(175.8)	(666.2)	(159.5)
Distribution, marketing, customer relation management and retention costs	(186.8)	(44.7)	(79.3)	(19.0)	(394.4)	(94.5)	(239.6)	(57.4)
Depreciation, amortization, impairment and disposal	(478.3)	(114.5)	(64.8)	(15.5)	(852.1)	(204.1)	(187.8)	(45.0)
Technical costs and cost of settlements with mobile network operators	(495.8)	(118.7)	(62.2)	(14.9)	(855.2)	(204.8)	(184.9)	(44.3)
Salaries and employee-related costs	(118.0)	(28.3)	(40.4)	(9.7)	(270.8)	(64.8)	(125.4)	(30.0)
Cost of equipment sold	(348.7)	(83.5)	(10.7)	(2.6)	(548.6)	(131.4)	(53.4)	(12.8)
Cost of debt collection services and bad debt allowance and receivables written off	(15.3)	(3.7)	(5.3)	(1.3)	(40.1)	(9.6)	(21.0)	(5.0)
Other costs	(87.2)	(20.9)	(28.7)	(6.9)	(156.6)	(37.5)	(87.7)	(21.0)
Total operating cost	**(1,992.5)**	**(477.1)**	**(510.7)**	**(122.3)**	**(3,851.7)**	**(922.4)**	**(1,566.0)**	**(375.0)**
Other operating income, net	4.7	1.1	36.8	8.8	11.8	2.8	38.7	9.3
Profit from operating activities	**431.8**	**103.4**	**203.4**	**48.7**	**1,048.9**	**251.2**	**583.0**	**139.6**
Gain/(loss) on investment activities, net	1.5	0.4	7.4	1.8	26.6	6.4	12.0	2.9
Financial costs	(384.7)	(92.1)	(10.7)	(2.6)	(766.8)	(183.6)	(193.2)	(46.3)
Share of the profit of jointly controlled entity accounted for using the equity method	0.6	0.1	0.7	0.2	2.0	0.5	2.3	0.6
Gross profit for the period	**49.2**	**11.8**	**200.8**	**48.1**	**310.7**	**74.4**	**404.1**	**96.8**
Income tax	(1.1)	(0.3)	(24.4)	(5.8)	(32.2)	(7.7)	(51.8)	(12.4)
Net profit for the period	**48.1**	**11.5**	**176.4**	**42.2**	**278.5**	**66.7**	**352.3**	**84.4**
Basic and diluted earnings per share (not in millions)	0.08	0.02	0.51	0.12	0.55	0.13	1.01	0.24
Weighted number of issued shares in PLN	639,546,016		348,352,836		505,149,164		348,352,836	
Other consolidated financial data								
EBITDA (1)	910.1	217.9	268.2	64.2	1,901.0	455.3	770.8	184.6
EBITDA margin	37.6%	37.6%	39.6%	39.6%	38.9%	38.9%	36.5%	36.5%
Operating margin	17.8%	17.8%	30.0%	30.0%	21.5%	21.5%	27.6%	27.6%
Capital expenditures (2)	95.4	22.8	36.1	8.6	233.4	55.9	96.7	23.3

(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, or payments for telecommunication concessions.

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 September 30, 2014, indicating the consolidation method.

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2014	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	Vollsveien 13B, Lysaker Norway	trade of programming licenses	100%	100%
Polsat License Ltd.	Poststrasse 9,6300 Zug Switzerland	trade of programming licenses	100%	100%
Polsat Ltd.	238A King Street, London W6 0RF, Great Britain	television broadcasting	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.	Stanów Zjednoczonych 53, Warsaw	other activity related to sports	100%	60%

Company name	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2014	December 31, 2013
Polsat Futbol Ltd.(1)	Office 1D, 238-246 King Street London W6 0RF, UK	television activities	-	100%
Metelem Holding Company Limited (2)	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding and financial activities	100%	-
Eileme 1 AB (publ) (2)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	-
Eileme 2 AB (publ) (2)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	-
Eileme 3 AB (publ) (2)	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	-
Eileme 4 AB (publ) (2)	Stureplan 4C, 114 35 Stockholm, Sweden	holding activities	100%	-
Polkomtel Sp. z o.o. (2)	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	-
Nordisk Polska Sp. z o.o. (2)	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	-
Polkomtel Finance AB (publ) (2)	Norrlandsgatan 18, 111 43 Stockholm, Sweden	financial activities	100%	-
Liberty Poland S.A. (2)	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	-
Polkomtel Business Development Sp. z o.o. (2)	Postępu 3, 02-676 Warsaw	other activities supporting financial services	100%	-
Plus TM Management Sp. z o.o. (2)	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	-
LTE Holdings Limited (2)	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	-
Plus TM Group Sp. z o.o. S.K.A. (2)	Postępu 3, 02-676 Warsaw	intellectual properties and similar items rental	100%	-
Plus TM Group Sp. z o.o. (2)	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.(3)	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%	-

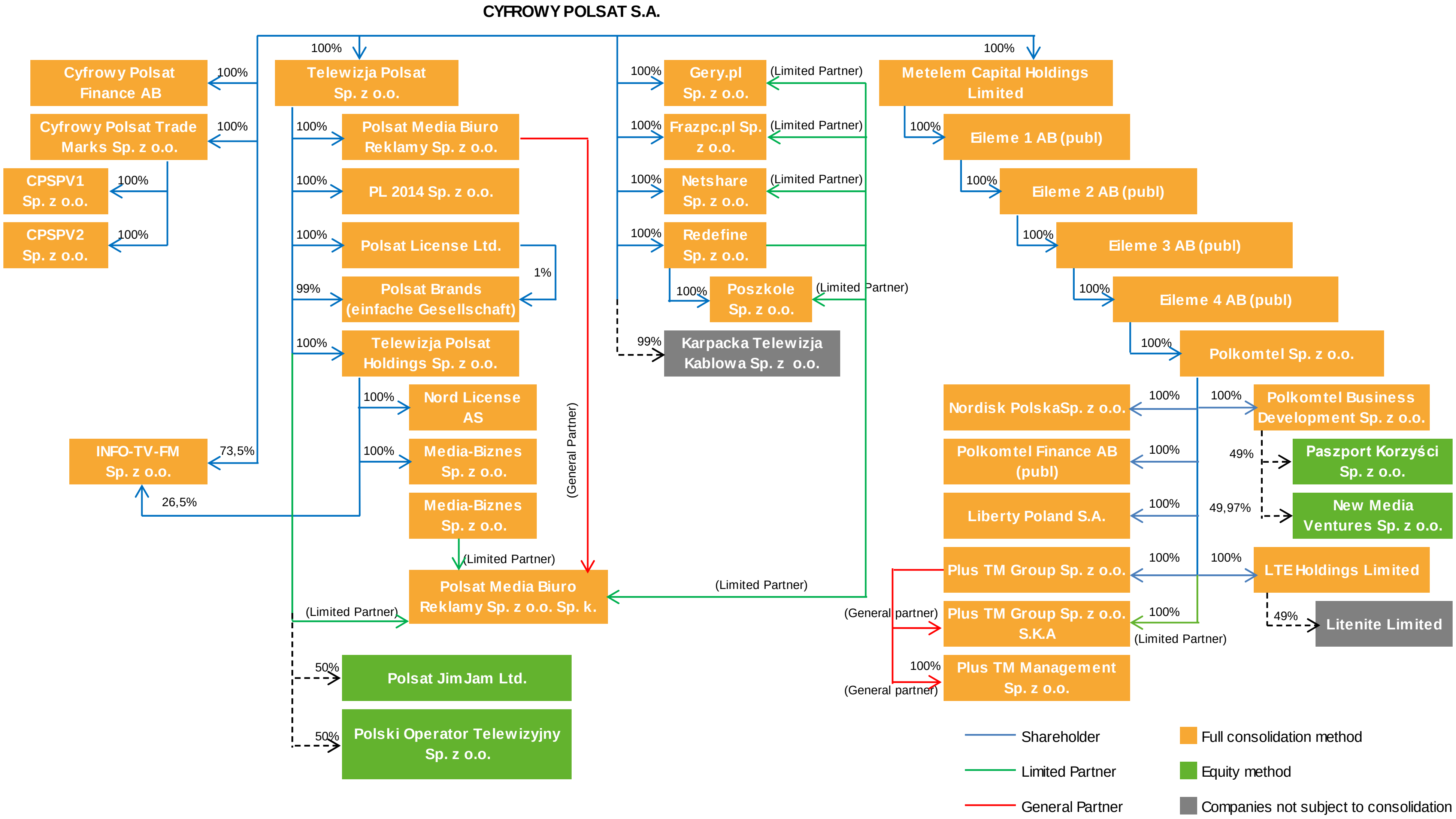
(1) Polsat Futbol Ltd. was dissolved on January 21, 2014
(2) Company consolidated since May 7, 2014
(3) The company has suspended operations

Additionally, the following entities were included in the consolidated financial statements for the 3 and 9-month periods ended September 30, 2014:

	Registered office	Activity	Share in voting rights (%) as at	
			September 30, 2014	December 31, 2013
Karpacka Telewizja Kablowa Sp. z o.o. (1)	Chorzowska 3, Radom	dormant	99%	85%
Litenite Limited (2)	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding company	49%	-

(1) Investment accounted for at cost less any accumulated impairment losses
(2) Shares in Litenite Limited have been recognized as an investment in an affiliate without accounting for changes in results and net assets.

Structure of Cyfrowy Polsat Capital Group as at September 30, 2014.



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

In the third quarter 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
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%.
August 6, 2014	Acquisition of 100% of shares in the share capital of Polsat Ltd. with its registered office in London, by Telewizja Polsat Holdings Sp. z o.o.

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 quarterly 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%
Others	**214,367,958**	**33.52%**	**214,539,208**	**26,20%**
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 September 15, 2014 the European Bank for Reconstruction and Development (the "EBRD") disposed of 15,596,026 shares of the Company. Prior to the transaction, the EBRD held 47,260,690 of the Companies' shares, representing 7.39% of the Company's share capital and carrying the right to 47,260,690 votes at the General Meeting of the Company, which constituted 5.77% of the total number of votes at the Company's General Meeting.

Following the disposal of shares, the EBRD held 31,664,664 of the Companies' shares, representing 4.95% of the Company's share capital and carrying the right to 31,664,664 votes at the General Meeting of the Company, which constituted 3.87% of the total number of votes at the Company's General Meeting.

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 November 13, 2014, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last periodic report (semi-annual report for the first half of 2014) on August 28, 2014. The information included in the table is based on information received from members of our Management Board.

Management Board Member	Balance as at 28.08.2014	Increases	Decreases	Balance as at 13.11.2014 (1)
Dominik Libicki President of the Management Board	1,497	-	-	-

(1) On September 28, 2014 Mr. Dominik Libicki resigned from the position of President of the Management Board, effective immediately.

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 November 13, 2014, the date of publication of this quarterly report, and changes in their holdings since the date of publication of our last financial report (semi-annual report for the first half of 2014) on August 28, 2014. The information included in the table is based on information received from members of our Supervisory Board.

Supervisory Board Member	Balance as at 28.08.2014	Increases	Decreases	Balance as at 13.11.2014
Zygmunt Solorz-Żak (1) Chairman of the Supervisory Board	370,256,512	-	-	370,256,512
Heronim Ruta (2) Member of the Supervisory Board	54,921,546	-	-	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. As at September 30, 2014 we had 6.2 million individual and business customers, and companies from our Group provided a total of 16.4 million RGUs both contract and prepaid. Our broadcasting and television production segment consists mainly of production, acquisition and broadcasting of information, sports and entertainment programs as well as TV series and feature films broadcast on television channels 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 September 30, 2014 we provided 10.5 million mobile telephony services.

We offer a comprehensive array of mobile telecommunications services under the established umbrella brand 'Plus'. 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 an 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 within our 'Plus Internet na Kartę' offer and as one of the elements of our new prepaid offer 'Plush'. 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 September 30, 2014 we provided 1.5 million broadband Internet access services, which constitutes an increase of 462 thousand over the last 12 months. 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 limited) 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 September 30, 2014 we provided 4.4 million active pay TV services (including over 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 Multiroom 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 third 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 September 2014 we 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 third quarter of 2014 the average number of unique users of the IPLA website/application was approximately 3.6 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 complete and unique service package based on 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 Polkomtel launched smartDOM (smartHOME), 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 Polkomtel 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 who purchases additional products of our Group, obtains attractive discounts throughout the entire term of the contract. Since September 30, 2014 the promotion 'Second product half off, third product for one złoty' is also available to new customers, who purchase one product from Cyfrowy Polsat or Plus.

7.1.4.2. smartFIRMA

On October 27, 2014 we launched a similar program addressed to business clients under the name smartFIMRA (smartCOMPANY), which allows to combine mobile telephony, LTE Internet and fixed-line voice services. The program also includes PlusBank products, electric energy from Plus, as well as a wide portfolio of supplementary services which support and enhance business.

7.1.4.3. 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 FIVB Volleyball Men's World Championship Poland 2014) 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 (abc, Delikatesy Centrum, Euro Sklep, Gama, Groszek, and Lewiatan), 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 September 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 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 26 channels, including our flagship POLSAT, available in SD and HD formats and 24 thematic channels. 5 channels area available in HD standard.

POLSAT, broadcast since December 5, 1992, is 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 12.79% in the third quarter 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, music, 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 quarterly 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 basic 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 basic 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.

Thematic channel	Description
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.
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 created for and dedicated to women. The programming offer includes both feature movies as well as popular Polish and foreign series.
MUZO.TV	Channel broadcasting rock and pop music as well as the best video clips, both the classics and the novelties. MUZO.TV is the second music channel in Polsat's programming offer.

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 third quarter of 2014 we captured 26.3% of the Polish TV advertising market worth approximately PLN 753 million in that period. Based on the same estimates, in the 9-month period ended September 30, 2014 our share in the Polish TV advertising market was 25.3%, while the whole market was estimated at PLN 2,662 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 in the third quarter of 2014

8.1. Corporate events

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.

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.

Conclusion of hedging 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 S.A. and Bank Polska Kasa Opieki S.A. 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.

Acquisition of Polsat Ltd.

On August 6, 2014 Telewizja Polsat Holdings Sp. z o.o. acquired 100% shares in the share capital of Polsat Ltd. with its registered office in London, UK.

Acquisition of Muzo.fm by Telewizja Polsat

On October 17, 2014 Telewizja Polsat signed a preliminary agreement to purchase a 100% stake in the radio station Muzo.fm for the price of PLN 4.3 million. Muzo.fm, formerly radio PiN, is a regional radio station available in 11 largest cities in Poland reaching ca. 5 million listeners. It constitutes a new music project with a pop-rock profile created together with the Muzo.tv team. Polsat Group is creating an integrated music project with wide distribution via TV, radio and Internet.

The acquisition of the radio station Muzo.fm and the multiplatform project ‘Muzo’ are in line with our strategy to be the leader in the entertainment industry in Poland, implemented through the creation and distribution of attractive content. Our goal is to achieve a 1% audience share within a year from the launch of the new station.

Changes in the management board of the Company

On October 28, 2014 Dominik Libicki resigned from the position of President of the Management Board of the Company and Vice-President of the Management Board of Polkomtel, effective immediately. On the same day the Supervisory Board accepted the resignation placed by Dominik Libicki and appointed Tomasz Gillner-Gorywoda as President of the Management Board of the Company.

Furthermore, on November 4, 2014 the Supervisory Board adopted a resolution appointing Mr. Maciej Stec to the position of Member of the Management Board as of November 4, 2014.

8.2. Business related events

Frequency assignment decision regarding the 1800 MHz band

On September 8, 2014, the President of UKE assigned 1757.5-1759.9 MHz and 1852.5-1854.9 MHz as well as 1777.7-1784.9 MHz and 1872.7-1879.9 MHz frequency blocks in the 1800 MHz band to Polkomtel, who currently uses them to provide 2G services. The assignment is nationwide, technology-neutral, and valid until September 14, 2029, i.e. for the next 15 years. Under this assignment decision we are required to cover 90% of the territory of Poland with telecommunication services provided using these frequencies, calculated together with the frequencies in 900 MHz band assigned by the President of UKE on January 11, 2011. As at the date of this report Polkomtel meets this requirement. In September 2014 Polkomtel made one-time payment in the amount of PLN 365.4 million for the frequency assignment.

New channels under the Polsat brand

On August 30, 2014 Telewizja Polsat launched four channels dedicated to the FIVB Volleyball Men’s World Championship Poland 2014. Polsat Volleyball 1 and three additional channels were broadcast only during the tournament, i.e. until September 21, 2014. The channels showed all matches involving the Polish Team, as well as many other meetings of the tournament. Polsat Volleyball 1 offered advertising airtime (like other thematic channels) and was included in the sports package. All the above channels were available free of charge to all customers of Cyfrowy Polsat. Within the framework of agreements with Polsat other platforms and cable networks, including Vectra, Netia, Inea and UPC Polska, offered paid access to these channels. The opening and final matches of the tournament were also broadcast on our open channel POLSAT and achieved record high viewership results. The total audience share of the opening match was 39.44%, while that of the final match – during which the Polish team won the title of world champion – was 59.16%.

On September 26, 2014 TV Polsat launched a new music channel MUZO.TV. The channel broadcasts rock and pop music as well as the best video clips, both the classics and the novelties. MUZO.TV is the second music channel in Polsat’s programming offer.

New prepaid brand ‘Plush’

On September 9, 2014 we introduced a new brand of telecommunication services: ‘Plush’. The brand addresses the expectations of young people, which is emphasized by the slogan ‘Without consequences’. The offers ‘Card Plush’ and

"Plush Mix' are comprised of ready, best-priced combinations of services including unlimited short text messages and calls to all mobile networks, and packages of data transfer. Additionally, Plush Mix offers smartphones for attractive prices.

Joint programs of Cyfrowy Polsat and Polkomtel

In keeping with the strategy of integrating modern home products and services, Cyfrowy Polsat and Polkomtel launched smartDOM (smartHOME), 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 program 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 PLN 1'. 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.

Since September 30, 2014 the promotion 'Second product half off, third product for PLN 1' is also available to new customers, who purchase a product from Cyfrowy Polsat or Plus or Cyfrowy Polsat with a minimum subscription fee of PLN 39.90 (SIM only) or PLN 59.90 (including equipment). On the same day or at any point during the term of the promotion they can purchase a second service with a 50% rebate on the subscription fee for the whole duration of the contract and, within the next 10 days, a third service with a maximum discount of PLN 28.90. At the date of this report the maximum discount on the third product available in the 'Second product half off, third product for PLN 1' promotion for both existing and new customers was increased to PLN 38.90.

On October 27, 2014 we launched a program addressed to business customers under the name smartFIRMA (smartCOMPANY), which allows to combine mobile telephony, LTE Internet and fixed-line voice services. The program also includes PlusBank products, electric energy from Plus, as well as a wide portfolio of supplementary services which support and enhance business.

Within the program smartFIRMA, the customer can choose up to 5 products. The first and second product are always mobile telephony and Internet services (interchangeable) and a 50% discount is offered on the second product. The third product is fixed-line telephony for PLN 1. Additional mobile telephony cards (fourth and fifth products) can be purchased with discounts of PLN 10 and PLN 20.

smartFIRMA is addressed to existing customers, who own a product (Internet or mobile telephony) with a minimum net subscription fee of PLN 39.0 and to new customers who purchase at least one mobile telephony activation or Internet for firms with a minimum net subscription fee of PLN 39.0 (without equipment) or PLN 49.0 (with equipment).

Development of the CRM system

Polkomtel, with the technological support of Asseco Poland S.A., initiated the development of Polsat Group's proprietary solution related to the sales of products and services. Within the scope of this project tools to manage orders and an integration platform will be developed. New applications will be integrated with Polkomtel's existing systems, thus creating a cohesive and efficient platform supporting the business activities of the entire Group.

The project constitutes an element of the implementation of system synergies between Cyfrowy Polsat and Polkomtel. The first phase of the project is expected to end in March 2015.

9. Operating review

In connection with the consolidation of the results of the newly-acquired Metelem Holding 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 9-month periods ended September 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 September 30			for the 9 month period ended September 30		
	2014	2013	change / %	2014	2013	change / %
Total number of RGUs (contract + prepaid)	**16,449,992**	**16,627,551**	**-1.1%**	**16,449,992**	**16,627,551**	**-1.1%**
CONTRACT SERVICES						
Total number of RGUs, including:	**12,230,798**	**11,908,422**	**2.7%**	**12,230,798**	**11,908,422**	**2.7%**
Pay TV, including:	4,344,773	4,160,343	4.4%	4,344,773	4,160,343	4.4%
Multiroom	*806,064*	*680,316*	*18.5%*	*806,064*	*680,316*	*18.5%*
Mobile telephony	6,617,382	6,834,719	-3.2%	6,617,382	6,834,719	-3.2%
Internet	1,268,643	913,360	38.9%	1,268,643	913,360	38.9%
Number of customers	**6,184,775**	**6,285,607**	**-1.6%**	**6,184,775**	**6,285,607**	**-1.6%**
Average number of RGUs, including:	**12,125,363**	**11,884,574**	**2.0%**	**12,030,984**	**11,834,466**	**1.7%**
Pay TV, including:	4,301,558	4,144,131	3.8%	4,257,629	4,086,829	4.2%
Multiroom	*787,736*	*658,475*	*19.6%*	*761,324*	*598,052*	*27.3%*
Mobile telephony	6,628,199	6,862,047	-3.4%	6,682,805	6,914,918	-3.4%
Internet	1,195,606	878,396	36.1%	1,090,549	832,718	31.0%
Average number of customers	**6,201,335**	**6,293,472**	**-1.5%**	**6,239,579**	**6,309,027**	**-1.1%**
ARPU per customer [PLN]	86.5	87.6	-1.2%	85.5	89.0	-3.9%
Churn per customer	8.8%	9.0%	0.2 p.p.	8.8%	9.0%	0.2 p.p.
RGU saturation per one customer	1.98	1.89	4.4%	1.98	1.89	4.4%
PREPAID SERVICES						
Total number of RGUs, including:	**4,219,194**	**4,719,129**	**-10.6%**	**4,219,194**	**4,719,129**	**-10.6%**
Pay TV	98,136	84,538	16.1%	98,136	84,538	16.1%
Mobile telephony	3,855,669	4,475,541	-13.9%	3,855,669	4,475,541	-13.9%
Internet	265,389	159,050	66.9%	265,389	159,050	66.9%
Average number of RGUs, including:	**4,212,275**	**4,635,182**	**-9.1%**	**4,298,686**	**4,572,101**	**-6.0%**
Pay TV	69,522	68,740	1.1%	75,518	73,758	2.4%
Mobile telephony	3,893,375	4,431,149	-12.1%	3,986,798	4,399,768	-9.4%
Internet	249,377	135,293	84.3%	236,370	98,574	139.8%
ARPU per total prepaid RGU [PLN]	18.3	18.2	0.3%	17.5	18.5	-5.0%
TELEVISION						
Audience share	24.1%	21.6%	11.9%	23.4%	20.5%	14.2%
Advertising market share	26.3%	24.1%	9.1%	25.3%	22.9%	10.6%

As at September 30, 2014, in the segment of services to individual and business customers, our Group provided a total of 16,449,992 active services, both in the contract and prepaid models, which constitutes a decrease of 1.1% compared to 16,627,551 active services provided as at September 30, 2013. This change was due to a decrease in the number of provided mobile telephony services, however, at a significantly lower rate compared to the second quarter of 2014, accompanied by a rapidly growing number of provided Internet access services and a higher number of provided pay TV services (including Multiroom).

As at September 30, 2014 the share of contract services in the total number of provided services was 74.4%. This indicator increased from 71,6% as at September 30, 2013.

9.1. Contract services

As at September 30, 2014 we provided contract services to a total of 6,184,775 customers, i.e. 1.6% less compared to the number of customers, which the Group would have had as at September 30, 2013, if Polkomtel had been part of the Group at the time. This change is due to a decrease in the number of customers of mobile voice services, however, the rate of this decrease is successively lower form quarter to quarter.

The number of active contract services provided by us increased by 322,376, that is 2.7%, to 12,230,798 as at September 30, 2014 from 11,908,422 as at September 30, 2013. This change is primarily the effect of an increase of the number of broadband Internet access services by 38.9% due to our strategy of actively promoting sales of services provided in the LTE/HSPA+ technologies, for example by introducing the unlimited Internet PowerLTE offer, 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 4.4% in the third quarter of 2014 to 4,344,773 as at September 30, 2014 from 4,160,343 as at September 30, 2013 due to a significant increase in the number of Multiroom services provided. Concurrently, the number of provided mobile telephony services decreased from 6,834,719 as at September 30, 2013 to 6,617,382 as at September 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.

In the third quarter of 2014 ARPU per customer decreased by 1.2% to PLN 86.5 from PLN 87.6 in the third quarter of 2013. The small decrease in ARPU was mainly the result of lower prices on the mobile telephony market due to price pressure from our main competitors.

In three quarters of 2014 ARPU per customer fell by 3.9% to PLN 85.5 compared to PLN 89.0 in three quarters of 2013. This decrease was triggered primarily by 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.

Thanks to our efficient customer retention programs and promotions, our churn rate fell to 8.8% in the twelve-month period ended September 30, 2014 compared to 9.0% in the twelve-month period ended September 30, 2013.

As at September 30, 2014 each customer from our customer base had 1.98 active contract services, which constitutes an increase of 4.4% compared to 1.89 active contract services per customer as at September 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.

Our product smartDOM has excellent sales results and has a positive effect on both the level of RGU saturation per one customer and ARPU per contract customer. Since its launch in mid-February 2014 until the end of the third quarter over 380 thousand customers joined the program and bought a total of over 1.2 million RGUs. In the third quarter of 2014 alone the number of RGUs provided within the smartDOM program increased by ca. 460 thousand. RGU saturation per one customer in this group was 3.15 as at September 30, 2014. Bearing in mind the long-term goal of our Group, which is to maximize revenue per contract customer through sales of additional products and services, the smartDOM program is perfectly in line with the implementation of our strategy.

9.2. Prepaid services

The number of prepaid services provided by us as at September 30, 2014 decreased by 499,935, that is 10.6%, to 4,219,194 from 4,719,129 as at September 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 amounted to PLN 18.3 in the third quarter of 2014 and remained at a relatively stable level compared to the corresponding period of 2013. In the first three quarters of 2014 ARPU per prepaid RGU decreased by 5.0% to PLN 17.5 from PLN 18.5 in the first corresponding period of 2013. The main reason behind the decrease during 9 months of 2014 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 September 30			6 months ended September 30		
	2014	2013	*change [%]*	2014	2013	*change [%]*
Audience share[(1) (7)], including:	**24.14%**	**21.58%**	***11.86%***	**23.36%**	**20.45%**	***14.23%***
POLSAT (main channel)	**12.79%**	**13.16%**	***-2.81%***	**13.17%**	**13.76%**	***-4.29%***
Thematic channels[(7)]	**11.35%**	**8.42%**	***34.80%***	**10.19%**	**6.69%**	***52.32%***
Polsat2	2.09%	1.89%	*10.58%*	1.76%	1.84%	*-4.35%*
Polsat News	1.01%	0.92%	*9.78%*	0.96%	0.83%	*15.66%*
Polsat Sport	0.46%	1.16%	*-60.34%*	0.50%	0.85%	*-41.18%*
Polsat Sport Extra	0.09%	0.28%	*-67.86%*	0.12%	0.21%	*-42.86%*
Polsat Sport News	0.29%	0.41%	*-29.27%*	0.28%	0.34%	*-17.65%*
Polsat Film	0.78%	0.50%	*56.00%*	0.69%	0.50%	*38.00%*
Polsat JimJam [JimJam]	0.17%	0.35%	*-51.43%*	0.20%	0.33%	*-39.39%*
Polsat Cafe	0.42%	0.42%	*0.00%*	0.40%	0.40%	*0.00%*
Polsat Play	0.71%	0.63%	*12.7%*	0.65%	0.55%	*18.18%*
CI Polsat	0.11%	0.14%	*-21.43%*	0.09%	0.10%	*-10.00%*
Polsat News 2 [(2)]	0.08%	0.07%	*14.29%*	0.07%	0.06%	*16.67%*
Polsat Food	0.09%	0.11%	*-18.18%*	0.08%	0.10%	*-20.00%*
Polsat Viasat Explore[(3)(9)]	0.05%	0.07%	*-28.57%*	0.05%	0.06%	*-16.67%*
Polsat Viasat History[(3)]	0.12%	0.16%	*-25.00%*	0.13%	0.17%	*-23.53%*
Polsat Viasat Nature[(3)]	0.02%	0.02%	*0.00%*	0.02%	0.02%	*0.00%*
Polsat Romans[(5)]	0.13%	0.06%	*116.67%*	0.13%	0.06%	116.67%
Disco Polo Music[(8)]	0.24%	n/d	--	0.25%	n/d	--
TV4 [(6)]	2.79%	2.58%	*8.14%*	2.70%	2.85%	*-5.26%*
TV6 [(6)]	1.07%	0.78%	*37.18%*	1.02%	0.59%	*72.88%*
Muzo.tv[(10)]	0.03%	n/d	--	0.03%	n/d	--
Polsat Volleyball 1[(11)]	2.43%	n/d	--	2.43%	n/d	--
Advertising market share[(4)]	**26,3%**	**24,1%**	***9,1%***	***25,3***	***22,9%***	***10,6%***

1) Nielsen Audience Measurement, All day ages 16-49 audience share.
2) Until February 2013 the channel operated under "TV Biznes", until June 9, 2014 as "Polsat Biznes", currently as "Polsat News 2".
3) The channels operate under the Polsat brand since March 2013, data for three quarters of 2013 include the period March - September 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, data for the period of broadcasting.
9) Until April 29, 2014 the channel operated under "Polsat Viasat Explorer".
10) Channel launched on September 26, 2014, data for the period of broadcasting.
11) Channel broadcast from August 30 until September 21, 2014, data for the period of broadcasting.

In the third quarter of 2014 viewers were attracted by the fixed slots on our main channel's schedule, such as Monday's cycle Mega Hit, that gathered on average 1.09 million viewers, which translated into a 19.7% audience share, as well as the series *First Love*, which gathered an average of 0.72 million viewers (20.7% audience share).

The results of the third quarter were significantly influenced by novelties included in the autumn scheduling. A large audience was gathered by the show *Must be the Music. Tylko Muzyka,* which attracted an average of 1.09 million viewers (16.5% audience share). Another position in our autumn scheduling, *Dancing with the Stars*, gathered on average 1.03 million viewers and had an 18.0% audience share. Another key programming position was the continuation of the talent show *Your Face Sounds Familiar.* The Saturday slots dedicated to this show had, on average, 1.0 million viewers with an audience share of 21.4%.

When analyzing the first three quarters of 2014, the most significant positions of the programming schedule was the Monday Mega Hit slot (1.2 million viewers and 20.6% audience share). Another fixed slot, the series *First Love,* gathered 0.97 million viewers (23.7% audience share).

In the first three quarters of 2014 novelties of both the spring and autumn schedules were the driver behind high viewership results. The show *Your Face Sounds Familiar* attracted an average of 1.29 million viewers (25.6% audience share). Another programming position, *Dancing with the Stars*, gathered an average of 1.08 million viewers and reached a 18,6% audience share. *Hell's Kitchen,* also a new show, had an average of 1.04 million viewers, which translated to an 17.6% audience share. The continuation of the talent show *Must be the Music* was also a key position in both the spring and autumn schedules. The Sunday slots dedicated to this show had, on average, 1.15 million viewers with an audience share of 16.5%.

Also the cabaret *Śmiechosteron, czyli 10-lecie Kabaretu Skeczów Męczących* broadcast in January 2014 gained a significant audience of 2.1 million viewers and 27.7% audience share. In February the cabaret *Sex, Alcohol and Books* was very popular with 1.4 million viewers and a 19.0% audience share.

The most popular broadcast of the *Festiwal Top Trendy* was the *Cabaret Night* of June 1, which gathered an average of 1.6 million viewers, translating in to a 30.3% audience share.

The *IV Cabaret Night in Zielonagóra*, broadcast on August 9, 2014 gained over 1.08 million viewers and a 24.5% audience share. *Disco Polo under the Stars,* broadcast on August 16, 2014 gathered a similar number of viewers but with an audience share of 21.1%. The concert *Disco Polo under the Stars,* which took place on August 15, 2014 was viewed by 1.2 million people (21.7 audience share).

High viewership results of the opening match of the FIVB Volleyball Men's World Championship Poland 2014 aired by Telewizja Polsat on August 30, 2014, are worth notice. The match gathered over 1.3 million viewers, which translated into a 24.5% audience share. The simultaneous broadcast on Polsat Sport channel had 614 thousand viewers (11.3% audience share). Almost 200 thousand viewers saw the same broadcast on Polsat Volleyball 1 channel, which had an audience share of 3.64%. A total of 2.1 million viewers saw the opening match of the FIVB Volleyball Men's World Championship Poland 2014 on three channels of Telewizja Polsat, translating into an audience share of 39.44%.

The final match of the FIVB Volleyball Men's World Championship Poland 2014 had record high viewership results. On September 21, 2014 almost 4 million viewers (50.36% audience share) watched the match, during which the Polish team won the title of world champion. The simultaneous broadcast on Polsat Volleyball 1 channel gathered over 700 thousand viewers and had an 8.8% audience share. A total of 4.7 million viewers saw the opening match of the FIVB Volleyball Men's World Championship Poland 2014 on Telewizja Polsat channels, translating into an audience share of 59.16%.

The first match of the qualifiers to the European Football Championship, played on September 7, 2014 between Poland and Gibraltar, gathered 0.98 million viewers on the Polsat channel, which translated into a 15.5% audience share. The same match was viewed simultaneously by 270 thousand viewers (4.2% audience share) on the channel Polsat Sport.

Growing audience shares of all the Group's channels, as well as of thematic channels alone are also due to the incorporation of TV4 and TV6 channels into Telewizja Polsat Group. In terms of the Group's thematic channels, the highest audience shares in the 3 and 9-month periods ended September 30, 2014 were recorded by TV4, TV6 and Polsat News, the growing share of Polsat 2 is also worth notice. The thematic channels with the highest audience growth dynamics (compared to the first 9 months of 2013) were TV6, Polsat Film, Polsat Play and Polsat Romans. The audience results of Polsat Group also include the audience of the channel Disco Polo Music, which began broadcasting in May 2014. Polsat Volleyball 1 (broadcast from August 30 until September 21, 2104) had significant impact on viewership results in the third quarter of 2014.

9.3.2. Distribution and technical reach

Technical reach[1]	3 months ended September 30			9 months ended September 30		
	2014	2013	*Change / %*	2014	2013	*Change / %*
Polsat	99.9%	98.7%	*1.22%*	99.8%	98.6%	*1.22%*
Polsat2	64.0%	63.0%	*1.59%*	64.3%	62.9%	*2.23%*
Polsat News	56.8%	54.9%	*3.46%*	56.1%	54.3%	*3.31%*
Polsat Sport	49.5%	49.5%	*0.00%*	49.8%	49.1%	*1.43%*
Polsat Sport Extra	35.5%	34.3%	*3.50%*	35.4%	33.6%	*5.36%*
Polsat Sport News	90.9%	82.3%	*10.45%*	89.6%	75.3%	*18.99%*
Polsat Film	51.5%	49.2%	*4.67%*	51.1%	47.5%	*7.58%*
Polsat JimJam [JimJam]	43.4%	40.2%	*7.96%*	42.8%	39.2%	*9.18%*
Polsat Cafe	55.2%	53.6%	*2.99%*	54.9%	53.0%	*3.58%*
Polsat Play	47.6%	43.2%	*10.19%*	47.1%	42.2%	*11.61%*
CI Polsat	38.3%	36.0%	*6.39%*	38.0%	34.9%	*8.88%*
Polsat News 2[2]	55.7%	54.7%	*1.83%*	55.7%	54.3%	*2.58%*
Polsat Food	21.0%	21.2%	*-0.94%*	21.1%	20.6%	2.43%
Polsat Viasat Explore [3] [7]	25.1%	23.2%	*8.19%*	25.1%	21.4%	17.29%
Polsat Viasat History [3]	34.7%	32.6%	*6.44%*	35.2%	30.5%	15.41%
Polsat Viasat Nature [3]	23.8%	20.6%	*15.53%*	23.6%	18.4%	28.26%
Polsat Romans [4]	37.7%	21.5%	*75.35%*	37.9%	21.5%	76.28%
Disco Polo Music [6]	40.1%	n/a	--	38.3%	n/a	--
TV4 [5]	99.7%	98.7%	*1.01%*	99.6%	96.3%	*3.43%*
TV6 [5]	90.0%	85.0%	*5.88%*	90.0%	79.7%	*12.92%*
MUZO.TV[8]	26.4%	n/a	--	26.4%	n/a	--
Polsat Volleyball [9]	27.8%	n/a	--	27.8%	n/a	--

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". currently as "Polsat News 2".
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".
8) Channel launched on September 26, 2014.
9) Channel broadcast from August 30 until September 21, 2014.

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. Comparing data for both the third quarter and 9 months of 2014 with corresponding periods of 2013, the highest growth in technical reach was recorded by Polsat Romans. The dynamics of channels created in cooperation with Viasat Broadcasting are worth emphasizing. Recently the distribution of the channels Polsat Viasat Explore, Polsat Viasat History and Polsat Viasat Nature was expanded. To sum up, all channels belonging to Polsat Group had positive dynamics in both analyzed periods. This result was due i.a. to increased distribution of digital terrestrial television. New channels include Disco Polo Music (launched on May 1, 2014) and MUZO.TV, broadcast since September 26, 2014.

9.3.3. Advertising and sponsoring market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the third quarter of 2014 amounted to PLN 753.0 million and increased year-on-year by 9.5%. Based on these data, we estimate that, in the third quarter of 2014 our TV advertising market share increased year-on-year to 26.3% from 24.1%. In three quarters of 2014 expenditures on TV advertising and sponsoring increased to PLN 2,662 million, which constitutes a year-on-year increase of 6.3%. In the analyzed period our TV advertising market share increased year-on-year to 25.3% from 22.9%.

If we compare the current portfolio of Polsat Group's channels, we generated 10.84% more GRPs in the third quarter of 2014 compared to the corresponding period of 2013.Excluding the effect of TV4 and TV6 channels on the results of the Group in July and August 2013, we generated 20.14% more GRPs in the third quarter of 2014 compared to the corresponding period of 2013. The introduction of channels TV4 and TV6 to TV Polsat Group, as well as better results of TV stations and new channels – Disco Polo Music and Polsat Volleyball 1 – continue to affect results achieved in the third 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. EBITDA 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 9-month period ended September 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.

Other revenue

Other revenue sources consist primarily of revenue from the lease of premises and facilities, revenue from interest on installment plan purchase and other sales revenue.

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 distributors 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) depreciation 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) depreciation of set-top boxes leased to our customers, (iv) depreciation 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 telecommunication operators

Technical costs and cost of settlements with telecommunication 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.

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) warranty 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 consist of:

(i) inventory impairment write-downs/reversals;

(ii) 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 3 and 9-month periods ended September 30, 2014 was prepared based on the interim condensed consolidated financial statements for the 3 and 9-month periods ended September 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 3 and 9-month periods ended September 30, 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 3 and 9-month periods ended September 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 9-month periods ended September 30, 2014 comprise the results of Metelem group for the period from May 7, 2014 until September 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 3 and 9-month periods ended September 30, 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 September 30, 2014 compared with the corresponding period of the prior year

Revenue

Our total revenue increased by PLN 1,742.3, or 257.2%, to PLN 2,419.6 in the third quarter of 2014 from PLN 677.3 for the 3-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, our total revenue increased by PLN 98.3, or 14.5%, to PLN 775.6 for the 3-month period ended September 30, 2014 from PLN 677.3 for the 3-month period ended September 30, 2013. Revenue grew for the reasons set forth below.

	Results including Metelem group	Results excluding Metelem group			
	for the 3-month period ended September 30, 2014	for the 3 month period ended September 30		change	
		2014	2013	[mPLN]	[%]
Retail revenue	1,710.7	477.8	460.3	17.5	3.8%
Wholesale revenue	591.6	278.1	204.0	74.1	36.3%
Sale of equipment	104.1	7.8	7.1	0.7	9.9%
Other revenue	13.2	11.9	5.9	6.0	101.7%
Revenue	**2,419.6**	**775.6**	**677.3**	**98.3**	**14.5%**

Retail revenue

Retail revenue increased by PLN 1,250.4, or 271.6%, to PLN 1,710.7 in the third quarter of 2014 from PLN 460.3 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, retail revenue increased by PLN 17.5, or 3.8%, to PLN 477.8 in the third quarter of 2014 from PLN 460.3 in the third quarter of 2013. This change was primarily due to an increase in revenue from telecommunication services, mainly mobile Internet services, and an increase in revenue from pay TV services, especially the Multiroom service.

Wholesale revenue

Wholesale revenue increased by PLN 387.6, or 190.0%, to PLN 591.6 in the third quarter of 2014 from PLN 204.0 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, wholesale revenue increased by PLN 74.1, or 36.3%, to PLN 278.1 in the third quarter of 2014 from PLN 204.0 in the third quarter of 2013. This increase is primarily due to significantly higher advertising revenue of TV Polsat Group compared to the growth dynamics of the television advertising market (generated mainly on own thematic channels), the recognition by TV Polsat Group of revenue from the sale of rights to the FIVB Volleyball Men's World Championship Poland 2014 abroad, higher revenue from cable and satellite operators mainly from paid access to the broadcasts of the FIVB Volleyball Men's World Championship Poland 2014, as well as revenue generated by TV4 and TV6 channels (consolidated since September 1, 2013) recognized in the third quarter of 2014.

Sale of equipment

Revenue from the sale of equipment increased by PLN 97.0, or 1,366.2%, to PLN 104.1 in the third quarter of 2014 from PLN 7.1 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, revenue from the sale of equipment increased by PLN 0.7, or 9.9%, to PLN 7.8 in the third quarter of 2014 from PLN 7.1 in the third quarter of 2013. This increase was due to increased revenue from sales of laptops, tablets and satellite antennas, partially adjusted by a decrease in revenue from sales of devices for the reception of terrestrial television in DVB-T technology.

Other revenue

Other revenue increased by PLN 7.3, or 123.7%, to PLN 13.2 in the third quarter of 2014 from PLN 5.9 the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, other revenue increased by PLN 6.0, or 101.7%, to PLN 1.9 the third quarter of 2014 from PLN 5.9 the third quarter of 2013, i.a. due to an increase in revenue from the lease of premises and equipment.

Operating costs

Our total operating costs increased by PLN 1,481.8, or 290.2%, to PLN 1,992.5 in the third quarter of 2014 from PLN 510.7 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, our total operating costs increased by PLN 127.7, or 25.0%, to PLN 638.4 in the third quarter of 2014 from PLN 510.7 in the third quarter of 2013. Operating costs grew for the reasons set forth below.

	Results including Metelem group	Results excluding Metelem group			
	for the 3-month period ended September 30, 2014	for the 3 month period ended September 30		change	
		2014	2013	[mPLN]	[%]
Content costs	262.4	257.1	219.3	37.8	17.2%
Distribution, marketing, customer relation management and retention costs	186.8	84.0	79.3	4.7	5.9%
Depreciation, amortization, impairment and disposal	478.3	65.5	64.8	0.7	1.1%
Technical costs and cost of settlements with telecommunication operators	495.8	97.6	62.2	35.4	56.9%
Salaries and employee-related costs	118.0	42.3	40.4	1.9	4.7%
Cost of equipment sold	348.7	14.7	10.7	4.0	37.4%
Cost of debt collection services and bad debt allowance and receivables written off	15.3	10.3	5.3	5.0	94.3%
Other costs	87.2	66.9	28.7	38.2	133.1%
Operating costs	**1,992.5**	**638.4**	**510.7**	**127.7**	**25.0%**

Content costs

Content costs increased by PLN 43.1, or 19.7%, to PLN 262.4 in the third quarter of 2014 from PLN 219.3 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, content costs increased by PLN 37.8, or 17.2%, to PLN 257.1 in the third quarter of 2014 from PLN 219.3 in the third quarter of 2013. This increase is the net effect of: (i) higher costs of sport licenses and internal TV production, mainly due to the recognition of costs related to the FIVB Volleyball Men's World Championship Poland 2014; (ii) higher internal TV production costs on our main channel POLSAT related to new positions in the programming schedule and actions aimed at increasing the attractiveness of our content; (iii) lower average cost of films 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 107.5, or 135.6%, to PLN 186.8 in the third quarter of 2014 from PLN 79.3 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, distribution, marketing, customer relation management and retention costs increased by PLN 4.7, or 5.9%, to PLN 84.0 in the third quarter of 2014 from PLN 79.3 in the third quarter of 2013, which was du i.a. to increasing costs related to customer acquisition and dynamic rate of sales of products and services in the third quarter of 2014 within the framework of our smartDOM program.

Depreciation, amortization, impairment and disposal

Depreciation, amortization, impairment and disposal costs increased by PLN 413.5, or 638.1%, to PLN 478.3 in the third quarter of 2014 from PLN 64.8 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, depreciation, amortization, impairment and disposal costs increased by PLN 0.7, or 1.1%, to PLN 65.5 in the third quarter of 2014 from PLN 64.8 in the third quarter of 2013, i.a. due to the 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 'Plus' trademark. 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 telecommunication operators

Technical costs and cost of settlements with mobile network operators increased by PLN 433.6, or 697.1%, to PLN 495.8 in the third quarter 2014 from PLN 62.2 in the third quarter 2013. Excluding the effect of consolidation of the results of Metelem group, technical costs and cost of settlements increased by PLN 35.4, or 56.9%, to PLN 97.6 in the third quarter 2014 from PLN 62,2 in the third quarter 2013. This increase is primarily due to higher costs of data transfer within our broadband Internet access service, which result from the dynamic growth of our Internet user base, especially in the smartDOM program, and consequently a rapidly increasing volume of transferred data.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 77.6, or 192.1%, to PLN 118.0 in the third quarter of 2014 from PLN 40.4 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, salaries and employee related costs increased by PLN 1.9, or 4.7%, to PLN 42,3 in the third quarter of 2014 from PLN 40.4 in the third quarter of 2013, as a result of higher average employment at Cyfrowy Polsat due to organic growth of business.

Cost of equipment sold

Cost of equipment sold increased by PLN 338.0, or 3,158.9%, to PLN 348.7 in the third quarter of 2014 from PLN 10.7 for in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, the cost of equipment sold increased by PLN 4.0, or 37.4%, to PLN 14.7 in the third quarter of 2014 from PLN 10.7 in the third quarter of 2013. This increase is mainly due to dynamically growing sales of tablets and laptops related to the rapidly increasing number of users of our broadband Internet access service.

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 10.0, or 188.7%, to PLN 15.3 in the third quarter of 2014 from PLN 5.3 in the third 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 5.0, or 94.3%, to PLN 10.3 in the third quarter of 2014 from PLN 5.3 in the third quarter of 2013.

Other costs

Other costs increased by PLN 58.5, or 203.8%, to PLN 87.2 in the third quarter of 2014 from PLN 28.7 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, other costs increased by PLN 38.2, or 133.1%, to PLN 66.9 in the third quarter of 2014 from PLN 28.7 in the third quarter of 2013. This change is mainly the result of a higher value of licenses sold due to the sale of marketing and broadcasting rights to the FIVB Volleyball Men's World Championship Poland 2014.

Other operating income and costs, net

Other net operating income decreased by PLN 32.1, or 87.2%, to PLN 4.7 in the third quarter of 2014 from PLN 36.8 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, in the third quarter of 2014 other net operating costs amounted to PLN 1.7, which constitutes a decrease of PLN 35.1, or 95.4% compared to other operating income net in the amount of PLN 36.8 in the third quarter of 2013. This change is due to the one-time recognition of profit from the sale of RS TV S.A. in the third quarter of 2013.

Gains/(losses) on investment activities, net

Net gains on investment activities decreased by PLN 5.9, or 79.7%, to PLN 1.5 in the third quarter of 2014 from PLN 7.4 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, net losses on investment activities amounted to PLN 6.0 in the third quarter of 2014 compared to net gains from investment activities equal to PLN 7.4 in the third quarter of 2013, mainly due to the recognition of foreign exchange costs in the third quarter of 2014 compared to foreign exchange profits in the corresponding period of 2013.

Finance costs

Finance costs amounted to PLN 384.7 in the third quarter of 2014 and increased by PLN 374.0, or 3,495.3%, compared to PLN 10.7 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group, finance costs increased by PLN 20.7, or 193.5%, to PLN 31.4 in the third quarter of 2014 from PLN 10.7 in the third quarter of 2013. This increase is the net effect of: (i) higher interest costs on the Term Loan and Revolving Facility Loan under the Senior Facilities Agreement concluded in April 2014; (ii) lower interest costs on our previous term loan granted under the Senior Facilities Agreement concluded in 2011 due to premature repayment of the debt in April 2014, and (iii) the lack of interest costs on Senior Notes and foreign exchange gains on the valuation of Senior Notes (redeemed in total in May 2014), which were recognized in the corresponding period of 2013.

Net profit

Net profit decreased by PLN 128.3, or 72.7%, to PLN 48.1 in the third quarter of 2014 from PLN 176.4 in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group net profit decreased by PLN 91.4, or 51.8%, to PLN 85.0 in the third quarter of 2014 from PLN 176.4 in the third quarter of 2013, primarily due to additional costs related to customer acquisition within the smartDOM offer and the purchase of distribution rights to the FIVB Volleyball Men's World Championship Poland 2014 as well as higher costs of data transmission, mainly resulting from substantial growth of the number of mobile Internet service users.

EBITDA & EBITDA margin

EBITDA increased by PLN 641,9, or 239.3%, to PLN 910.1 in the third quarter of 2014 from PLN 268.2 in the third quarter of 2013. EBITDA margin decreased to 37.6% in the third quarter of 2014 from 39.6% in the third quarter of 2013. Excluding the effect of consolidation of the results of Metelem group EBITDA decreased by PLN 63.8, or 23.8%, to PLN 204.4 in the third quarter of 2014 from PLN 268.2 in the third quarter of 2013. EBITDA margin decreased to 26.4% in the third quarter of 2014 from 39.6% in the third quarter of 2013.

Employment

The average employment of permanent workers not engaged in production in Cyfrowy Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 5,008 full-time equivalents in the third quarter of 2014, as compared to 1,392 full-time equivalents 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 9-month period ended September 30, 2014 with the results for the corresponding period of 2013

Revenue

Our total revenue increased by PLN 2,778.5, or 131.7%, to PLN 4,888.8 in the 9-month period ended September 30, 2014 from PLN 2,110.3 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, our total revenue increased by PLN 181.6, or 8.6%, to PLN 2,291.9 in the 9-month period ended September 30, 2014 from PLN 2,110.3 in the 9-month period ended September 30, 2013. Revenue grew for the reasons set forth below.

	Results including Metelem group	Results excluding Metelem group			
	for the 9-month period ended September 30, 2014	for the 9 month period ended September 30		change	
		2014	2013	[mPLN]	[%]
Retail revenue	3,383.0	1,416.7	1,363.9	52.8	3.9%
Wholesale revenue	1,312.9	824.3	693.1	131.2	18.9%
Sale of equipment	167.4	28.5	32.0	(3.5)	(10.9%)
Other revenue	25.5	22.4	21.3	1.1	5.2%
Revenue	**4,888.8**	**2,291.9**	**2,110.3**	**181.6**	**8.6%**

Retail revenue

Retail revenue increased by PLN 2,019.1, or 148.0%, to PLN 3,383.0 in the 9-month period ended September 30, 2014 from PLN 1,363.9 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, retail revenue increased by PLN 52.8 or 3.9%, to PLN 1,416.7 in the 9-month period ended September 30, 2014 from PLN 1,363.9 in the 9-month period ended September 30, 2013. This change was primarily due to an increase in revenue from telecommunication services, mainly mobile Internet services, and an increase in revenue from pay TV services, especially the Multiroom service.

Wholesale revenue

Wholesale revenue increased by PLN 619.8, or 89.5%, to PLN 1,312.9 in the 9-month period ended September 30, 2014 from PLN 693.1 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, wholesale revenue increased by PLN 131.2, or 18.9%, to PLN 824.3 in the 9-month period ended September 30, 2014 from PLN 693.1 in the 9-month period ended September 30, 2013. This increase is primarily due to significantly higher advertising revenue of TV Polsat Group compared to the growth dynamics of the television advertising market (generated mainly on own thematic channels), the recognition by TV Polsat Group of revenue from the sale of rights to the FIVB Volleyball Men's World Championship Poland 2014 abroad, higher revenue from cable and satellite operators mainly from paid access to the broadcasts of the FIVB Volleyball Men's World Championship Poland 2014, as well as revenue generated by TV4 and TV6 channels (consolidated since September 1, 2013) recognized in the 9-month period ended September 30, 2014.

Sale of equipment

Revenue from the sale of equipment increased by PLN 135.4, or 423.2%, to PLN 167.4 in the 9-month period ended September 30, 2014 from PLN 32.0 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, revenue from the sale of equipment decreased by PLN 3.5, or 10.9%, to PLN 28.5 in the 9-month period ended September 30, 2014 from PLN 32.0 in the 9-month period ended September 30, 2013. This decrease is the effect of a decrease in sales of devices for the reception of Mobile TV in the DVB-T technology, which were partially compensated by an increase in revenue from sales of laptops and tablets related to the introduction of installment plan purchase.

Other revenue

Other revenue increased by PLN 4.2, or 19.7%, to PLN 25.5 in the 9-month period ended September 30, 2014 from PLN 21.3 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, other revenue increased by PLN 1.1, or 5.2%, to PLN 22.4 in the 9-month period ended September 30, 2014 from PLN 21.3 in the 9-month period ended September 30, 2013.

Operating costs

Our total operating costs increased by PLN 2,285.7, or 146.0%, to PLN 3,851.7 in the 9-month period ended September 30, 2014 from PLN 1,566.0 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, our total operating costs increased by PLN 158.7, or 10.1%, to PLN 1,724.7 in the 9-month period ended September 30, 2014 from PLN 1,566.0 in the 9-month period ended September 30, 2013. Revenue grew for the reasons set forth below.

	Results including Metelem group	Results excluding Metelem group			
	for the 9-month period ended September 30, 2014	for the 9 month period ended September 30		change	
		2014	2013	[mPLN]	[%]
Content costs	733.9	727.2	666.2	61.0	9.2%
Distribution, marketing, customer relation management and retention costs	394.4	235.6	239.6	(4.0)	(1.7%)
Depreciation, amortization, impairment and disposal	852.1	193.5	187.8	5.7	3.0%
Technical costs and cost of settlements with mobile network operators	855.2	242.7	184.9	57.8	31.3%
Salaries and employee-related costs	270.8	135.3	125.4	9.9	7.9%
Cost of equipment sold	548.6	39.3	53.4	(14.1)	(26.4%)
Cost of debt collection services and bad debt allowance and receivables written off	40.1	29.2	21.0	8.2	39.0%
Other costs	156.6	121.9	87.7	34.2	39.0%
Operating costs	**3,851.7**	**1,724.7**	**1,566.0**	**158.7**	**10.1%**

Content costs

Content costs increased by PLN 67.7, or 10.2%, to PLN 733.9 in the 9-month period ended September 30, 2014 from PLN 666.2 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, content costs increased by PLN 61.0, or 9.2%, to PLN 727.2 in the 9-month period ended September 30, 2014 from PLN 666.2 in the 9-month period ended September 30, 2013. This increase is the net effect of: (i) higher costs of sport licenses and internal TV production, mainly due to the recognition of costs related to the FIVB Volleyball Men's World Championship Poland 2014; (ii) higher internal TV production costs on our main channel POLSAT related to new positions in the programming schedule and actions aimed at increasing the attractiveness of our content; (iii) higher internal production costs of TV4 and TV6 channels; (iv) recognition of amortization of purchased film licenses on TV4 and TV6 channels (consolidated since September 1, 2013); (v) lower average cost of films 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 154.8, or 64.6%, to PLN 394.4 in the 9-month period ended September 30, 2014 from PLN 239.6 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, distribution, marketing, customer relation management and retention costs decreased by PLN 4.0 or 1.7%, to PLN 235.6 in the 9-month period ended September 30, 2014 from PLN 239.6 in the 9-month period ended September 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 and was partially compensated by increasing costs related to customer acquisition and dynamic rate of sales of products and services in the 9-month period ended September 30, 2014 within the framework of our smartDOM program.

Depreciation, amortization, impairment and disposal

Depreciation, amortization, impairment and disposal costs increased by PLN 664.3, or 353.7%, to PLN 852.1 in the 9-month period ended September 30, 2014 from PLN 187.8 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, depreciation, amortization, impairment and disposal costs increased by PLN 5.7 or 3.0%, to PLN 193.5 in the 9-month period ended September 30, 2014 from PLN 187.8 in the 9-month period ended September 30, 2013, i.a. due to the 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 'Plus' trademark. 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 telecommunication operators

Technical costs and cost of settlements with mobile network operators increased by PLN 670.3 or 362.5%, to PLN 855.2 in the 9-month period ended September 30, 2014 from PLN 184.9 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, technical costs and cost of settlements increased by PLN 57.8, or 31.3%, to PLN 242.7 in the 9-month period ended September 30, 2014 from PLN 184.9 in the 9-month period ended September 30, 2013. This increase is due to higher costs of data transfer within our broadband Internet access service, which result from the dynamic growth of our Internet user base, especially in the smartDOM program, and consequently a rapidly increasing volume of transferred data, as well as costs of lease of additional capacity on satellite transponders and recognition of costs of digital broadcasting of TV4 and TV6 channels (consolidated since September 1, 2013) on digital terrestrial television.

Salaries and employee-related costs

Salaries and employee-related costs increased by PLN 145.4, or 115.9%, to PLN 270.8 in the 9-month period ended September 30, 2014 from PLN 125.4 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, salaries and employee-related costs increased by PLN 9.9 or 7.9%, to PLN 135.3 in the 9-month period ended September 30, 2014 from PLN 125.4 in the 9-month period ended September 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 495.2, or 927.3%, to PLN 548.6 in the 9-month period ended September 30, 2014 from PLN 53.4 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, the cost of equipment sold decreased by PLN 14.1, or 26.4%, to PLN 39.3 in the 9-month period ended September 30, 2014 from PLN 53.4 in the 9-month period ended September 30, 2013. This decrease is 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 19.1 or 91.0%, to PLN 40.1 in the 9-month period ended September 30, 2014 from PLN 21.0 in the 9-month period ended September 30, 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 8.2 or 39.0%, to PLN 29.2 in the 9-month period ended September 30, 2014 from PLN 21.0 in the 9-month period ended September 30, 2013.

Other costs

Other costs increased by PLN 68.9, or 78.6%, to PLN 156.6 in the 9-month period ended September 30, 2014 from PLN 87.7 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, other costs increased by PLN 34.2 or 39.0%, to PLN 121.9 in the 9-month period ended September 30, 2014 from PLN 87.7 in the 9-month period ended September 30, 2013. This change is mainly the result of a higher value of licenses sold due to the sale of marketing and broadcasting rights to the FIVB Volleyball Men's World Championship Poland 2014.

Other operating income/costs, net

Other operating income, net decreased by PLN 26.9 or 69.5%, to PLN 11.8 in the 9-month period ended September 30, 2014 from PLN 38.7 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of

Metelem group, other operating income net decreased by PLN 34.3, or 88.6%, to PLN 4.4 in the 9-month period ended September 30, 2014 from PLN 38.7 in the 9-month period ended September 30, 2013. This change is due to the one-time recognition of profit from the sale of RS TV S.A. in the 9-month period ended September 30, 2013.

Gains/(losses) on investment activities, net

Net gains on investment activities increased by PLN 14.6, or 121.7%, to PLN 26.6 in the 9-month period ended September 30, 2014 from PLN 12.0 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, net gains on investment activities decreased by PLN 3.8, or 31.7%, to PLN 8.2 in the 9-month period ended September 30, 2014 from PLN 12.0 in the 9-month period ended September 30, 2013, mainly due to the recognition of foreign exchange costs in the third quarter of 2014 compared to foreign exchange profits in the corresponding period of 2013, which were partially compensated by profit recognized from USD forward transactions and higher interest revenue.

Finance costs

Finance costs amounted to PLN 766.8 in the 9-month period ended September 30, 2014 and increased by PLN 573.6, or 296.9%, compared to PLN 193.2 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, finance costs increased by PLN 74.0, or 38.3%, to PLN 267.2 in the 9-month period ended September 30, 2014 from PLN 193.2 in the 9-month period ended September 30, 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 and Revolving Facility 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 at a lower WIBOR rate and premature repayment of the debt, and (iv) recognition of lower foreign exchange losses related to the valuation of Senior Notes in three quarters of 2014 compared to the corresponding period of 2013.

Net profit

Net profit decreased by PLN 73.8, or 20.9%, to PLN 278.5 in the 9-month period ended September 30, 2014 from PLN 352.3 in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, net profit increased by PLN 76.4, or 21.7%, to PLN 275.9 in the 9-month period ended September 30, 2014 from PLN 352.3 in the 9-month period ended September 30, 2013, primarily due to additional costs related to customer acquisition within the smartDOM offer and the purchase of distribution rights to the FIVB Volleyball Men's World Championship Poland 2014 as well as higher costs of data transmission, mainly resulting from substantial growth of the number of mobile Internet service users.

EBITDA & EBITDA margin

EBITDA increased by PLN 1,130.2, or 146.6%, to PLN 1,901.0 in the 9-month period ended September 30, 2014 from PLN 770.8 in the 9-month period ended September 30, 2013. EBITDA margin increased to 38.9% in the 9-month period ended September 30, 2014 from 36.5% in the 9-month period ended September 30, 2013. Excluding the effect of consolidation of the results of Metelem group, EBITDA decreased by PLN 5.7, or 0.7%, to PLN 765.1 in the 9-month period ended September 30, 2014 from PLN 770.8 in the 9-month period ended September 30, 2013. EBITDA margin decreased to 33.4% in the 9-month period ended September 30, 2014 from 36.5% in the 9-month period ended September 30, 2013.

Employment

The average employment of permanent workers not engaged in production in Cyfrowy Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 3,432 full-time equivalents in the 9-month period ended September 30, 2014, as compared to 1,403 full-time equivalents in the corresponding period of 2013. The increase in employment in three quarters of 2014 was due to the acquisition of Metelem and its subsidiaries, Polkomtel in particular, as well as organic growth of business.

11.1.3. Operating segments

The Group operates in the following two segments:

- 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, Internet access services, mobile TV services, 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 segments with a 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 9 months ended 30 September 2014:

The 9 months ended September 30, 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,089.0	799.8	-	4,888.8
Inter-segment revenues	24.1	106.8	(130.9)	-
Revenues	**4,113.1**	**906.6**	**(130.9)**	**4,888.8**
EBITDA (unaudited)	**1,610.5**	**290.5**	**-**	**1,901.0**
Depreciation, amortization, impairment and disposal	825.1	27.0	-	852.1
Profit/(loss) from operating activities	**785.4**	**263.5**	**-**	**1,048.9**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	346.3*	34.4	-	380.7
Balance as at 30 September 2014 (unaudited)				
Assets, including:	23,333.3	4,207.5**	(59.6)	27,481.2
Investments in jointly controlled entity	-	2.6	-	2.6

* 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 82.1.

All material revenues are generated in Poland.

It should be noted that the 9 months ended September 30, 2014 is not comparable to the 9 months ended September 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 9 months ended 30 September 2013:

The 9 months ended September 30, 2013 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,428.1	682.2	-	2,110.3
Inter-segment revenues	17.6	72.7	(90.3)	-
Revenues	**1,445.7**	**754.9**	**(90.3)**	**2,110.3**
EBITDA (unaudited)	**507.4**	**263.4**	**-**	**770.8**
Depreciation, amortization, impairment and disposal	162.9	24.9	-	187.8
Profit/(loss) from operating activities	**344.5**	**238.5**	**-**	**583.0**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	185.4*	32.5	-	217.9
Balance as at 30 September 2013 (unaudited)				
Assets, including:	1,654.7	3,977.4**	(34.1)	5,598.0
Investments in jointly controlled entity	-	2.5	-	2.5

*This item also includes the acquisition of reception equipment for operating lease purposes.
** This item includes non-current assets located outside of Poland.

Reconciliation of EBITDA and net profit for the period:

	for the 9 months ended	
	September 30, 2014 unaudited	September 30, 2013 unaudited
EBITDA (unaudited)	**1,901.0**	**770.8**
Depreciation, amortization, impairment and disposal	(852.1)	(187.8)
Profit from operating activities	**1,048.9**	**583.0**
Other foreign exchange rate differences, net	(4.1)	6.1
Interest income	37.8	8.5
Share of the profit of jointly controlled entity accounted for using the equity method	2.0	2.3
Interest costs	(504.2)	(149.0)
Foreign exchange differences on issued bonds	(172.4)	(43.7)
Early redemption costs	(82.1)	-
Other	(15.2)	(3.1)
Gross profit for the period	**310.7**	**404.1**
Income tax	(32.2)	(51.8)
Net profit for the period	**278.5**	**352.3**

11.2. Balance sheet analysis

As at September 30, 2014 and December 31, 2013, our balance sheet amounted to PLN 27,481.2 and PLN 5,676.2 respectively.

Assets

As at September 30, 2014 and December 31, 2013, our non-current assets were PLN 23,581.4 and PLN 4,455.8, respectively, and accounted for 85.8% and 78.5% of the total assets respectively.

As at September 30, 2014 and December 31, 2013, our current assets amounted to PLN 3,899.8 and PLN 1,220.4, respectively, and accounted for 14.2% and 21.5% of the total assets respectively.

The value of reception equipment amounted to PLN 417.0 as at September 30, 2014 and increased by PLN 9.4, or 2.3%, compared to PLN 407.6 as at December 31, 2013 in consequence of the increase in the number of devices for TV reception, internet sets and routers provided to our customers under operational leasing.

The value of other property, plant and equipment amounted to PLN 2,933.8 as at September 30, 2014 compared to PLN 251.1 as at December 31, 2013, which constitutes an increase of PLN 2,682.7. Excluding the effect of consolidation of Metelem group, the value of other property, plant and equipment increased by PLN 12.5, or 5.0%, to PLN 263.6 as at September 30, 2014 from PLN 251.1 as at December 31, 2013, mainly as a result of capital expenditure in TV Polsat Group on property, plant and equipment and the purchase of technical equipment within the scope of the IT systems development project conducted at Cyfrowy Polsat.

The value of goodwill increased by PLN 9,132.7, or 350.9%, to PLN 11,735.5 as at September 30, 2014 from PLN 2,602.8 as at December 31, 2013, as a result of the acquisition of shares in Metelem. This position does not include the value of the ‘Plus’ trademark, which has not been determined as at the date of this report. During the initial process of purchase price allocation, as at May 7, 2014 net liabilities were identified in the amount PLN 3,174.9, while the purchase price amounted to PLN 5,957.8.

The value of customer relationships amounted to PLN 4,331.9 as at September 30, 2014 compared to PLN 0 as at December 31, 2013. The key component of this position are Polkomtel’s relationships with individual and business customers, who have signed term agreements with the operator as well as customers of prepaid services.

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

The value of other intangible assets amounted to PLN 2,624.2 as at September 30, 2014 which constitutes an increase of PLN 2,486.8 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 136.5 as at September 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 68.5, or 27.1%, to 321.4 as at September 30, 2014 from PLN 252.9 as at December 31, 2013. The increase was mainly due to the purchase of additional sports and film rights, which translates into higher attractiveness of our programming offer and therefore has a positive impact on the viewership results of our channels.

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

The value of non-current and current deferred distribution fees increased by PLN 84.7, or by 85.0%, to PLN 184.3 as at September 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 increased by PLN 4.1 to PLN 103.7 as at September 30, 2014 from PLN 99.6 as at December 31, 2013.

The value of other non-current assets amounted to PLN 141.4 as at September 30, 2014 and increased by PLN 120.6, or 579.8%, compared to PLN 20.8 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of other non-current assets amounted to PLN 37.1 as at September 30, 2014 and increased by PLN 16.3, or 78.4%, compared to PLN 20.8 as at December 31, 2013, mainly as a result of an increase of receivables from hire purchase and granted loans.

The value of deferred tax assets amounted to PLN 285.7 as at September 30, 2014, which constitutes an increase of PLN 246.8, or 634.4%, 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. Excluding the effect of consolidation of Metelem group, the value of deferred tax assets decreased by PLN 8.5, or 21.9%, to PLN 30.4 as at September 30, 2014 from PLN 38.9 as at December 31, 2013.

The value of inventories was PLN 316.6 as at September 30, 2014 and increased by PLN 169.8, or 115.7%, from PLN 146.8 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of inventories decreased by PLN 14.4, or 9.8%, to PLN 132.4 as at September 30, 2014 from PLN 146.8 as at December 31, 2013. This decrease is the effect of a decrease in the stock of set-top boxes, set-top box discs and smart cards, partially compensated by an increase in the stock of telephones, Internet sets and modems.

The value of trade and other receivables increased by PLN 995.5, or 265.9%, to PLN 1,369.9 as at September 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 63.6, or 17.0%, to PLN 438.0 as at September 30, 2014 from PLN 374.4 as at December 31, 2013, primarily due to higher trade receivables from third parties in TV Polsat Group for advertising, sponsorship and distribution of thematic channels, higher public receivables.

The value of other current assets amounted to PLN 224.2 as at September 30, 2014, which constitutes an increase of PLN 118.8, or 112.7%, compared to PLN 105.4 as at December 31, 2013. Excluding the effect of consolidation of Metelem group, the value of other current assets decreased by PLN 22.8, or 21.6%, to PLN 82.6 as at September 30, 2014 from PLN 105.4 as at December 31, 2013, primarily due to the consumption of a data package acquired in accordance with agreements with Mobyland concluded in September 2012 and March 2014.

The value of cash and cash equivalents, restricted cash and short-term deposits increased by PLN 1,331.0, or 389.0%, to PLN 1,673.2 as at September 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 1,515.2 (including restricted cash in the amount of PLN 12.2 and short-term deposits in the amount of PLN 30.0).

Equity and liabilities

Equity increased by PLN 6,129.5, or by 204.2%, to PLN 9,130.7 as at September 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 September 30, 2014 in the amount of PLN 278.5, and (iii) dividend payment in the amount of PLN 102.9.

As at September 30, 2014 and December 31, 2013 the value of our non-current liabilities amounted to PLN 14,223.8 and PLN 1,700.2, which constituted 77.5% and 63.6% of the Group's total liabilities, respectively.

As at September 30, 2014 and December 31, 2013 the value of our current liabilities amounted to PLN 4,126.7 and PLN 974.8, which constituted 22.5% and 36.4% of the Group's total liabilities, respectively.

Loans and borrowings (long and short-term) increased by PLN 8,855.5 to PLN 9,341.4 as at September 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 2,047.4 to PLN 2,533.3 as at September 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 partially used to repay the debt under the senior facility agreement of 2011.

Senior Notes liabilities (long and short-term) increased by PLN 3,302.5 or by 229.5%, to PLN 4,741.2 as at September 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 were redeemed in the analyzed period.

Finance lease liabilities (long and short-term) increased by PLN 13.3 to PLN 13.7 as at September 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) remained at a relatively unchanged level and amounted to PLN 0.3 as at September 30, 2014.

UMTS license liabilities (long and short-term) amounted to PLN 844.1 as at September 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 930.7 to PLN 1,038.8 as at September 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 Polkomtel's customer relationships in the Group's balance sheet.

Non-current and current deferred income increased by PLN 463.0, or by 216.8%, to PLN 676.6 as at September 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 8.3, or by 3.9%, to PLN 221.9 as at September 30, 2014 from PLN 213.6 as at December

31, 2013, mainly due to advance payments for subscription fees and pre-payments for advertisement broadcasting received by Polsat Media Biuro Reklamy.

The value of other non-current liabilities and provisions amounted to PLN 164.6 as at September 30, 2014, which constitutes an increase of PLN 156.7, or 1,983.5%, 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 8.6, or 108.9%, to PLN 16.5 as at September 30, 2014 from PLN 7.9 as at December 31, 2013, primarily due to an increase of liabilities related to IRS/CIRS hedging instruments and of the value of deposits made by distributors.

The value of trade and other payables amounted to PLN 1,505.3 as at September 30, 2014 which constitutes an increase of PLN 1,092.1, or 264.3%, 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 476.2 as at September 30, 2014 which constitutes an increase of PLN 63.0, or 15.2%, from PLN 413.2 as at December 31, 2013. This increase is the effect of higher liabilities related to the purchase of film and sports licenses as well as higher liabilities towards third-parties.

Income tax liabilities increased by PLN 17.6 to PLN 22.1 as at September 30, 2014 from PLN 4.5 as at December 31, 2013.

The value of short-term deposits for equipment amounted to PLN 2.7 as at September 30, 2014 and remained at an 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 9-month period ended September 30, 2014 as well as the 9-month period ended September 30, 2013. All data is expressed in millions PLN.

	Data including group Metelem for the 9-month period ended September 30		Data excluding group Metelem for the 9-month period ended September 30	
	2014	2013	2014	2013
Net cash from operating activities	1,321.8	519.4	551.9	519.4
Net cash from/(used in) investing activities	1,042.3	-110.2	-977.7	-110.2
Net cash from/(used in) financing activities	-1,064.0	-464.4	241.3	-464.4
Net increase/(decrease) in cash and cash equivalents	1,300.1	-55.2	-184.5	-55.2

11.3.1. Net cash from operating activities

Net cash from operating activities amounted PLN 1,321.8 in the 9-month period ended September 30, 2014, which constitutes an increase of PLN 802.4 compared to PLN 519.4 in the 9-month period ended September 30, 2013.

Excluding the effect of consolidation of Metelem group, net cash from operating activities amounted PLN 551.9 in the 9-month period ended September 30, 2014 and increased by PLN 32.5 compared to net cash from operating activities generated in the corresponding period of 2013. The increase in net cash from operating activities was mainly the result of net profit in the amount of PLN 275.9 generated in the 9 months of 2014 adjusted by a series of factors, the most significant being:

- higher costs of depreciation, amortization, impairment and disposal related to increased costs of depreciation of reception equipment leased to our customers;
- higher payments for film licenses and sport broadcasting rights;
- an increase in liabilities, provisions and deferred income in the 9-month period ended September 30, 2014 compared to a decrease in liabilities, provisions and deferred income in the corresponding period of 2013;
- lower income tax and higher value of income tax paid;
- an increase of the net value of set-top boxes provided under operating lease;
- higher interest costs;
- an increase in receivables and other assets in the 9-month period ended September 30, 2014 compared to a decrease in receivables and other assets in the corresponding period of 2013;

- lower costs related to foreign exchange differences recognized in the 9-month period ended September 30, 2014 compared to the corresponding period of 2013, primarily due to valuation of senior notes;
- deeper decrease of inventories in the 9-month period ended September 30, 2014 compared to the decrease in inventories in the corresponding period of 2013;
- lower gains on sale of property, plant and equipment and intangible assets due to the recognition of profit from the sale of RS TV S.A. in 2013;
- higher value of programming assets sold.

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

Net cash from investing activities amounted to PLN 1,042.3 in the 9-month period ended September 30, 2014 and comprises primarily cash in the amount of PLN 1,800.4 taken over in consequence of the acquisition of Metelem, adjusted by a one-time payment in the amount of PLN 365.4 related to the extension of a reservation decision in the 1800 MHz frequency band for the next 15 years and by expenditure on the purchase of property, plant and equipment, and intangible assets (in the amount of PLN 237.4).

Excluding the effect of consolidation of Metelem group, net cash from investing activities amounted to PLN 977.7 in the 9-month period ended September 30, 2014, which constitutes an increase of PLN 867.5 compared to PLN 110.2 in the 9-month period ended September 30, 2013. This position concerns mainly the increase in the share capital of Metelem and expenditure on the purchase of property, plant and equipment, and intangible assets (in the amount of PLN 97.4).

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

Net cash used in financing activities amounted to PLN 1,064.0 in the 9-month period ended September 30, 2014 compared to PLN 464.4 in the 9-month period ended September 30, 2013, and primarily resulted from:

- the Term Loan and Revolving Facility Loan granted pursuant to the Senior Facilities Agreement of April 11, 2014;
- the redemption of the Senior Notes issued in 2011 and PIK Notes;
- the repayment of the term loan granted under the Senior Facilities Agreement of 2011;
- repayments according to schedule of the Term Loan under the Senior Facilities Agreement of 2014;
- the partial repayment of the Revolving Facility Loan under the Senior Facilities Agreement of 2014;
- the payment of interest on loans, bonds, Cash Pool, financial leasing and paid fees; and
- dividend payment.

11.3.4. Capital expenditure on the purchase of property, plant and equipment and intangible assets, and payments for telecommunication concessions

In the 9-month period ended September 30, 2014 cash expenditures of Cyfrowy Polsat Group on the purchase of property, plant and equipment and intangible assets increased by PLN 138.9, or 141.0%, to PLN 237.4 from PLN 98.5 in the 9-month period ended September 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 97.4 in the 9-month period ended September 30, 2014 and remained at a similar level compared to the corresponding period of 2013.

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, capacity 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.

Additionally, in the 9-month period ended September 30, 2014 the Group incurred cash expenditure in connection with payments for telecommunication concessions in the amounts of:

- PLN 365.4 as a one-off payment for the extension of the validity of the concession to use the 1800 MHz band for the next 15 years;
- PLN 116.9 (equivalent of EUR 28) related to the annual installment for the concession to use the 2100 MHz band (UMTS), purchased by Polkomtel in 2001.

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.

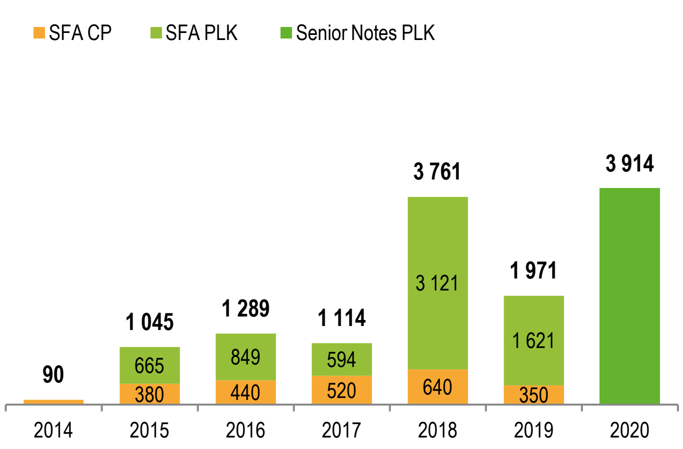
The table below presents a summary of the indebtedness of the Group as at September 30, 2014.

	Balance value [mPLN]	Nominal value [mPLN]	Coupon / interest	Maturity date
CP Term Facility (PLN)	2,383.3	2,420.0	WIBOR + margin	2019
CP Revolving Facility Loan	150.0	150.0	WIBOR + margin	2019
PLK Term Loan – Tranche A(PLN)	2,099.0	2,108.2	WIBOR + margin	2017
PLK Term Loan – Tranche B (PLN)	3,100.5	3,120.7	WIBOR + margin	2018
PLK Term Loan – Tranche C (PLN)	1,608.6	1,621.0	WIBOR + margin	2019
PLK Revolving Facility Loan	0.0	0.0	WIBOR + margin	2017
PLK Senior Notes (EUR) 1)	2,751.4	2,265.2	11.75%	2020
PLK Senior Notes (USD) 2)	1,989.8	1,648.7	11.63%	2020
Leasing	13.7	13.7	-	-
Cash and cash equivalents 3)	1,673.2	1,673.2	-	-
Net debt	**12,423.1**	**11,674.3**	-	-
EBITDA LTM, pro-forma 4)	3,843.9	3,843.9	-	-
Net debt / EBITDA 12M	**3.2**	**3.0**	-	-

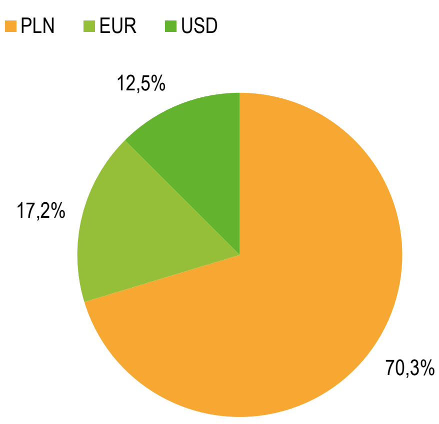
1) Equivalent of the nominal value of EUR 542.5m, translated at the average PLN/EUR foreign exchange rate of the Polish National Bank of 4.1755 as at September 30, 2014. Balance value estimated to fair value at the moment of purchase of Metelem.
2) Equivalent of the nominal value of USD 500m, translated at the average PLN/USD foreign exchange rate of the Polish National Bank of 3.2973 as at September 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 September 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 2,500.0 ("Term Facility") and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500.0 ("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 September 30, 2014 we used PLN 150.0 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 quarterly 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 PIK Notes (pay-in-kind 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 2,650.0, PLN 3,300.0 and PLN 1,700.0, respectively, as well as a revolving loan facility (PLK Revolving Facility Loan) of up to PLN 300.0. 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 should be repaid 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. As at September 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 50.0 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 40.0.

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 500.0, 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 September 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 September 2014 (unaudited)	31 December 2013
within one year	168.5	190.3
between 1 to 5 years	60.4	80.5
Total	**228.9**	**270.8**

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

	30 September 2014 (unaudited)	31 December 2013
within one year	17.1	18.2
between 1 to 5 years	0.3	-
Total	**17.4**	**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 119.9 as at September 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 September 30, 2014 was PLN 53.4 (PLN 26.8 as at December 31, 2013).

11.4.5. 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 quarterly 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	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

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 quarterly 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 3-month period ended September 30, 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 3 and 9-months ended September 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 for litigations as at September 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 million (i.e. EUR 1 million). The verdict is non-binding and was 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. On October 15, 2014 SOKiK issued a decision where the penalty has been reduced to PLN 1.5 million. The judgment is not final.

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 0.1%, 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 data, a slight recovery of economies both of Poland and other EU countries took place in 2014. The forecasted GDP growth for Poland in 2014 is 3.2%, while in 2015 – 3.4%. GDP growth in 28 EU countries is estimated at 1.6% in 2014 and 2.0% in 2015.

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 2014-2015, 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.

The Internet advertising market is characterized by dynamic growth. According to the IAB AdEx report, online advertising expenditures increases at a rate of 5.4% in the first half of 2014 compared to the corresponding period of 2013, while expenditures on the video advertising segment, in which we generate our revenue, increased by 27% and represented 7.3% of the total expenditures on online advertising in the first half of 2014. 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 slightly 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.

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, high-quality 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.

High preference of Poles for mobile technology combined with 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 ca. 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 September 2014 ca. 42% 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. According to data presented in the Ericsson Mobility Report dated June 2014, the volume of transmitted data will increase 11 times in the years 2013-2019. We offer data transmission 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. Together with Polkomtel we create a unique portfolio of products which are simultaneously targeted at customers of both operators. Our programs smartDOM (addressed to individual customers) and smartFIRMA (addressed to business customers) allow our customers to combine in a flexible way products into packages, on which we offer attractive discounts. The program smartDOM, launched in mid-February 2014, yields excellent sales results. The possibility to sell additional products and services (cross-selling) to current customers of Cyfrowy Polsat and Plus network has a positive impact both on our revenue and the level of ARPU per contract client.

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 the third quarter of 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.

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 customer (ARPU).

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

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. Starting from July 1, 2014, the Regulation led to a 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 possibility of complete elimination of roaming charges within EU is debated, 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. 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 decided to cancel the auction, and on April 4, 2013 announced the next stage of consultations regarding a new auction for the reservation of the aforementioned frequency. Following the publication of opinions of interested parties, on October 10, 2014 the President of UKE once again announced the auction on 5 blocks in the 800 MHz band and 14 blocks in the 2600 MHz band. The opening bid for one block in the 800 MHz band is set at PLN 250 million and for one in the 1600 MHz band – at PLN 25 million. The deadline for the submission of initial offers falls on November 24, 2014 and the beginning of the actual auction is planned for December 24, 2014. The auction documentation determines, i.a. detailed conditions of conducting the auction, limitations regarding joining frequency blocks by entities, who receive frequency allocations through the auction and conditions of use of allocated frequencies. In all probability, all the largest mobile telecommunication operators present on the Polish market are interested in participating in the auction.

The result of the auction will determine whether we will obtain access to the frequency band and whether the size and location of fragments of the band, which we would potentially use, will be sufficient and adequate so as to allow us to provide telecommunications services of sufficient quality to successfully compete with the mobile telecommunications network operators who obtain access to the remaining frequencies.

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 amounts expressed in Polish zloty 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 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.

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 EBITDA. we are able to decrease interest costs and payments.

Furthermore, the Term Loan and PLK Term Loans are based on a floating market interest rate, therefore fluctuations of interest rates in Poland will have an effect on value of current debt costs related to those loans.

Tomasz Gillner-Gorywoda

President of the Management Board ____________________________

Tobias Solorz

Member 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 ____________________________

Maciej Stec

Member of the Management Board ____________________________

Warsaw, November 12, 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 500.0 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, TV 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.

Term	Definition
CDMA	A family of mobile telecommunications standards developed by the 3rd Generation Partnership 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.

CYFROWY POLSAT S.A. GROUP

Interim Condensed Consolidated Financial Statements
for 3 and 9 months ended 30 September 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 12 November 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 September 2014 showing a net profit for the period of:	PLN 278.5
Interim Consolidated Statement of Comprehensive Income for the period from 1 January 2014 to 30 September 2014 showing a total comprehensive income for the period of:	PLN 278.3
Interim Consolidated Balance Sheet as at 30 September 2014 showing total assets and total equity and liabilities of:	PLN 27,481.2
Interim Consolidated Cash Flow Statement for the period from 1 January 2014 to 30 September 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 1,300.1
Interim Consolidated Statement of Changes in Equity for the period from 1 January 2014 to 30 September 2014 showing an increase in equity of:	PLN 6,129.5

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.

Tomasz Gillner-Gorywoda President of the Management Board	Tobias Solorz Member 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	Maciej Stec Member of the Management Board

Warsaw, 12 November 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 3 months ended 30 September 2014 unaudited	for the 3 months ended 30 September 2013 unaudited	for the 9 months ended 30 September 2014 unaudited	for the 9 months ended 30 September 2013 unaudited
Continuing operations					
Revenue	10	2,419.6	677.3	4,888.8	2,110.3
Operating costs	11	(1,992.5)	(510.7)	(3,851.7)	(1,566.0)
Other operating income, net		4.7	36.8	11.8	38.7
Profit from operating activities		**431.8**	**203.4**	**1,048.9**	**583.0**
Gain/loss on investment activities, net	12	1.5	7.4	26.6	12.0
Finance costs	13	(384.7)	(10.7)	(766.8)	(193.2)
Share of the profit of jointly controlled entity accounted for using the equity method		0.6	0.7	2.0	2.3
Gross profit for the period		**49.2**	**200.8**	**310.7**	**404.1**
Income tax		(1.1)	(24.4)	(32.2)	(51.8)
Net profit for the period		**48.1**	**176.4**	**278.5**	**352.3**
Net profit attributable to equity holders of the Parent		48.1	176.4	278.5	352.3
Basic and diluted earnings per share (in PLN)		**0.08**	**0.51**	**0.55**	**1.01**

Interim Consolidated Statement of Comprehensive Income

	Note	for the 3 months ended 30 September 2014 unaudited	for the 3 months ended 30 September 2013 unaudited	for the 9 months ended 30 September 2014 unaudited	for the 9 months ended 30 September 2013 Unaudited
Net profit for the period		**48.1**	**176.4**	**278.5**	**352.3**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	18	(11.3)	2.2	(0.2)	11.3
Income tax relating to hedge valuation	18	2.1	(0.4)	-	(2.1)
Currency translation adjustment		-	-	-	(4.3)
Items that may be reclassified subsequently to profit or loss		**(9.2)**	**1.8**	**(0.2)**	**4.9**
Other comprehensive income, net of tax		**(9.2)**	**1.8**	**(0.2)**	**4.9**
Total comprehensive income for the period		**38.9**	**178.2**	**278.3**	**357.2**
Total comprehensive income attributable to equity holders of the Parent		38.9	178.2	278.3	357.2

(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 - Assets

	Note	30 September 2014 unaudited	31 December 2013
Reception equipment		417.0	407.6
Other property, plant and equipment		2,933.8	251.1
Goodwill	14	11,735.5	2,602.8
Customer relationships		4,331.9	-
Brands		890.8	890.8
Other intangible assets		2,624.2	137.4
Non-current programming assets		148.8	71.6
Investment property		5.3	5.3
Non-current deferred distribution fees		67.0	29.5
Other non-current assets		141.4	20.8
Deferred tax assets		285.7	38.9
Total non-current assets		**23,581.4**	**4,455.8**
Current programming assets		172.6	181.3
Inventories		316.6	146.8
Trade and other receivables	15	1,369.9	374.4
Income tax receivable		26.0	0.2
Current deferred distribution fees		117.3	70.1
Other current assets		224.2	105.4
Short-term deposits		30.0	-
Cash and cash equivalents	16	1,631.0	342.2
Restricted cash		12.2	-
Total current assets		**3,899.8**	**1,220.4**
Total assets		**27,481.2**	**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 September 2014 unaudited	31 December 2013
Share capital	17	25.6	13.9
Share premium	17	7,237.5	1,295.1
Other reserves	18	(9.2)	(9.0)
Retained earnings		1,876.8	1,701.2
Equity attributable to equity holders of the Parent		**9,130.7**	**3,001.2**
Non-controlling interests		-	-
Total equity		**9,130.7**	**3,001.2**
Loans and borrowings	19	7,976.3	239.9
Issued bonds	20	4,302.1	1,340.0
Finance lease liabilities		7.9	0.2
UMTS license liabilities		730.2	-
Deferred tax liabilities		1,038.8	108.1
Deferred income		3.9	4.1
Other non-current liabilities and provisions		164.6	7.9
Total non-current liabilities		**14,223.8**	**1,700.2**
Loans and borrowings	19	1,365.1	246.0
Issued bonds	20	439.1	98.7
Finance lease liabilities		5.8	0.2
UMTS license liabilities		113.9	-
Trade and other payables	21	1,505.3	413.2
Income tax liability		22.1	4.5
Deposits for equipment		2.7	2.7
Deferred income		672.7	209.5
Total current liabilities		**4,126.7**	**974.8**
Total liabilities		**18,350.5**	**2,675.0**
Total equity and liabilities		**27,481.2**	**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

	Note	for the 9 months ended 30 September 2014 unaudited	for the 9 months ended 30 September 2013 unaudited
Net profit		**278.5**	**352.3**
Adjustments for:		**1,145.4**	**195.9**
Depreciation, amortization, impairment and disposal	11	852.1	187.8
Payments for film licenses and sports rights		(224.7)	(189.5)
Amortization of film licenses and sports rights		162.2	162.6
Gain on sale of property, plant and equipment and intangible assets		(2.4)	(38.9)
Cost of programming rights sold		30.4	6.3
Interest expense		421.4	140.4
Change in inventories		(14.7)	5.9
Change in receivables and other assets		(87.6)	16.7
Change in liabilities, provisions and deferred income		(175.9)	(85.9)
Change in internal production and advance payments		(17.4)	(3.5)
Valuation of hedging instruments		(0.2)	11.3
Share of the profit of jointly controlled entity accounted for using the equity method		(2.0)	(2.3)
Foreign exchange losses, net		164.9	39.3
Income tax		32.2	51.8
Net additions of reception equipment provided under operating lease		(142.1)	(116.8)
Net loss on derivatives		55.4	-
Other adjustments		93.8	10.7
Cash from operating activities		**1,423.9**	**548.2**
Income tax paid		(135.2)	(37.4)
Interest received from operating activities		33.1	8.6
Net cash from operating activities		**1,321.8**	**519.4**
Acquisition of property, plant and equipment		(180.0)	(53.0)
Acquisition of intangible assets		(57.4)	(45.5)
Concessions payments		(482.3)	-
Acquisition of subsidiaries, net of cash acquired	22	1,800.4	(64.2)
Proceeds from disposal of related entity, net		-	48.2
Proceeds from sale of property, plant and equipment		4.0	1.8
Short-term deposits		(30.0)	-
Granted loans		(20.4)	-
Other investing activities - derivatives		5.5	-
Dividends received		2.5	2.5
Net cash from/(used in) investing activities		**1,042.3**	**(110.2)**

(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)

Repayment of loans and borrowings	19	(747.1)	(366.2)
Loans and borrowings inflows		2,800.0	-
Bonds repayment		(2,275.9)	-
Finance lease – principal repayments		(0.7)	(0.3)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*		(733.5)	(97.9)
Dividends paid		(102.9)	-
Payment of share issuance-related consulting costs		(3.9)	-
Net cash used in financing activities		**(1,064.0)**	**(464.4)**
Net increase/(decrease) in cash and cash equivalents		**1,300.1**	**(55.2)**
Cash and cash equivalents at the beginning of the period		**342.2**	**270.4**
Effect of exchange rate fluctuations on cash and cash equivalents		0.9	0.2
Cash and cash equivalents at the end of the period		**1,643.2****	**215.4**

* 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 12.2

(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 Statement of Changes in Equity for the 9 months ended 30 September 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	-	-	(0.2)	278.5	278.3	-	**278.3**
Hedge valuation reserve	-	-	*(0.2)*	-	*(0.2)*	-	***(0.2)***
Net profit for the period	-	-	-	*278.5*	*278.5*	-	***278.5***
Balance as at 30 September 2014 unaudited	**25.6**	**7,237.5**	**(9.2)**	**1,876.8**	**9,130.7**	**-**	**9,130.7**

* 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 9 months ended 30 September 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	-	-	4.9	352.3	**357.2**
Hedge valuation reserve	-	-	*9.2*	-	***9.2***
Currency translation adjustment	-	-	*(4.3)*	-	***(4.3)***
Net profit for the period	-	-	-	*352.3*	***352.3***
Balance as at 30 September 2013 unaudited	**13.9**	**1,295.1**	**(11.4)**	**1,528.0**	**2,825.6**

* 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 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 telecommunication services provider.

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 (until 28 October 2014),
- Tomasz Gillner-Gorywoda	President of the Management Board (from 28 October 2014),
- Tobias Solorz	Member of the Management Board (from 1 September 2014),
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board (from 4 November 2014),
- 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.

(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)

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

Statement of compliance

These interim condensed consolidated financial statements for the 3 and 9 months ended 30 September 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.

The Group applied the same accounting policies in the preparation of the financial data for 3 and 9 months ended 30 September 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%

(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)

	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 nine months period ended 30 September 2014 would have been about PLN 8.6 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 9 months ended 30 September 2014 include the following entities:

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 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	100%	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 September 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%
Polsat Ltd.*****	238A King Street, W6 0RF London UK	television broadcasting	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)

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 2014	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

***** On 6 August 2014 Telewizja Polsat Holdings Sp. z o.o. acquired 100% shares of Polsat Ltd.

(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 September 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 9 months ended 30 September 2014 :

			Share in voting rights (%)	
	Entity's registered office	Activity	30 September 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 12 November 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 telecommunication 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 telecommunication operators contain broadcasting and signal transmission costs, cost of settlements with telecommunication 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 3 and 9 months ended 30 September 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 3 months ended 30 September 2013			
	30 September 2013 *(reported)*	**Retail revenue**	**Wholesale revenue**	**Sale of equipment**	**Other revenue**
Retail revenue	460.9	460.3	0.6	-	-
Advertising and sponsorship revenue	171.8	-	171.8	-	-
Revenue from cable and satellite operator fees	22.8	-	22.8	-	-
Sale of equipment	7.1	-	-	7.1	-
Other revenue	14.7	-	8.8	-	5.9
Total	**677.3**	**460.3**	**204.0**	**7.1**	**5.9**

(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)

		Change in presentation Restated data for the 9 months ended 30 September 2013			
	30 September 2013 *(reported)*	**Retail revenue**	**Wholesale revenue**	**Sale of equipment**	**Other revenue**
Retail revenue	1,365.3	1,363.9	1.4	-	-
Advertising and sponsorship revenue	582.6	-	582.6	-	-
Revenue from cable and satellite operator fees	72.2	-	72.2	-	-
Sale of equipment	32.0	-	-	32.0	-
Other revenue	58.2	-	36.9	-	21.3
Total	**2,110.3**	**1,363.9**	**693.1**	**32.0**	**21.3**

(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 3 months ended 30 September 2013							
	30 September 2013 *(reported)*	**Content costs**	**Distribution, marketing, customer relation management and retention costs**	**Depreciation, amortization, impairment and disposal**	**Technical costs and cost of settlements with telecommu-nication 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	101.2	101.2	-	-	-	-	-	-	-
Distribution, marketing, customer relation management and retention costs	79.3	-	79.3	-	-	-	-	-	-
Cost of internal and external TV production and amortization of sport rights	87.6	87.6	-	-	-	-	-	-	-
Depreciation, amortization and impairment	64.8	-	-	64.8	-	-	-	-	-
Salaries and employee-related costs	40.4	-	-	-	-	40.4	-	-	-
Broadcasting and signal transmission costs	37.0	-	-	-	37.0	-	-	-	-
Amortization of purchased film licenses	30.5	30.5	-	-	-	-	-	-	-
Cost of equipment sold	10.7	-	-	-	-	-	10.7	-	-
Cost of settlements with mobile network operators and interconnection charges	19.2	-	-	-	19.2	-	-	-	-
Cost of debt collection services and bad debt allowance and receivables written off	5.3	-	-	-	-	-	-	5.3	-
Other costs	34.7	-	-	-	6.0	-	-	-	28.7
Total	**510.7**	**219.3**	**79.3**	**64.8**	**62.2**	**40.4**	**10.7**	**5.3**	**28.7**

(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)

		Change in presentation Restated data for the 9 months ended 30 September 2013							
	30 September 2013 *(reported)*	**Content costs**	**Distribution, marketing, customer relation management and retention costs**	**Depreciation, amortization, impairment and disposal**	**Technical costs and cost of settlements with telecommunication 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	302.9	302.9	-	-	-	-	-	-	-
Distribution, marketing, customer relation management and retention costs	239.6	-	239.6	-	-	-	-	-	-
Cost of internal and external TV production and amortization of sport rights	266.1	266.1	-	-	-	-	-	-	-
Depreciation, amortization and impairment	187.8	-	-	187.8	-	-	-	-	-
Salaries and employee-related costs	125.4	-	-	-	-	125.4	-	-	-
Broadcasting and signal transmission costs	114.5	-	-	-	114.5	-	-	-	-
Amortization of purchased film licenses	97.2	97.2	-	-	-	-	-	-	-
Cost of equipment sold	53.4	-	-	-	-	-	53.4	-	-
Cost of settlements with mobile network operators and interconnection charges	51.7	-	-	-	51.7	-	-	-	-
Cost of debt collection services and bad debt allowance and receivables written off	21.0	-	-	-	-	-	-	21.0	-
Other costs	106.4	-	-	-	18.7	-	-	-	87.7
Total	**1,566.0**	**666.2**	**239.6**	**187.8**	**184.9**	**125.4**	**53.4**	**21.0**	**87.7**

(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)

10. Revenue

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	**30 September 2013 unaudited**	**30 September 2014 unaudited**	**30 September 2013 unaudited**
Retail revenue	1,710.7	460.3	3,383.0	1,363.9
Wholesale revenue	591.6	204.0	1,312.9	693.1
Sale of equipment	104.1	7.1	167.4	32.0
Other revenue	13.2	5.9	25.5	21.3
Total	**2,419.6**	**677.3**	**4,888.8**	**2,110.3**

Retail revenue mainly consists of pay-TV, telecommunication services, 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 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	**30 September 2013 unaudited**	**30 September 2014 unaudited**	**30 September 2013 unaudited**
Content costs	262.4	219.3	733.9	666.2
Distribution, marketing, customer relation management and retention costs	186.8	79.3	394.4	239.6
Depreciation, amortization, impairment and disposal	478.3	64.8	852.1	187.8
Technical costs and cost of settlements with telecommunication operators	495.8	62.2	855.2	184.9
Salaries and employee-related costs	118.0	40.4	270.8	125.4
Cost of equipment sold	348.7	10.7	548.6	53.4
Cost of debt collection services and bad debt allowance and receivables written off	15.3	5.3	40.1	21.0
Other costs	87.2	28.7	156.6	87.7
Total	**1,992.5**	**510.7**	**3,851.7**	**1,566.0**

(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)

a) Salaries and employee-related costs

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Salaries	99.3	34.2	227.3	105.5
Social security contributions	14.6	4.7	35.0	16.0
Other employee-related costs	4.1	1.5	8.5	3.9
Total	**118.0**	**40.4**	**270.8**	**125.4**

12. Gain/loss on investment activities, net

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Interest income	18.2	2.3	37.8	8.5
Other interest expense	(1.3)	(0.8)	(2.1)	(2.5)
Other foreign exchange gains, net	(8.8)	5.9	(4.1)	6.1
Other investment income	0.7	-	6.8	-
Other costs	(7.3)	-	(11.8)	(0.1)
Total	**1.5**	**7.4**	**26.6**	**12.0**

13. Finance costs

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Interest expense on loans and borrowings	121.4	15.1	233.4	51.7
Interest expense on issued bonds	87.5	27.1	206.1	82.1
Early redemption costs (see note 20)	-	-	82.1	-
Foreign exchange differences on issued bonds	156.9	(38.5)	172.4	43.7
Valuation and realization of hedging instruments	(0.1)	6.1	4.5	12.7
Valuation and realization of instruments not under hedge accounting	16.1	-	58.1	-
Guarantee fees, bank and other charges	2.9	0.9	10.2	3.0
Total	**384.7**	**10.7**	**766.8**	**193.2**

(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)

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 September unaudited	**11,735.5**

15. Trade and other receivables

	30 September 2014 unaudited	31 December 2013
Trade receivables from related parties	83.2	12.3
Trade receivables from third parties	1,227.8	347.1
Tax and social security receivables	39.2	13.5
Other receivables	19.7	1.5
Total	**1,369.9**	**374.4**

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

16. Cash and cash equivalents

	30 September 2014 unaudited	31 December 2013
Cash on hand	0.7	0.2
Current accounts	81.7	103.7
Deposits	1,548.6	238.3
Total	**1,631.0**	**342.2**

(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)

17. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 30 September 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 September 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	31,664,664	1.3	4.95%	31,664,664	3.87%
Other	182,703,294	7.3	28.57%	182,874,544	22.33%
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	-	8.2
Amount transferred to income statement	11.1	3.1
Deferred tax	(2.1)	(2.1)
Change for the period (old credit facility)	**9.0**	**9.2**
Hedging relationship designation	(11.3)	-
Deferred tax	2.1	-
Change for the period (new credit facility)	**(9.2)**	**-**
Balance as at 30 September unaudited	**(9.2)**	**(11.4)**

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 connection with new credit facility a new hedging relationship was designated.

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In the 9 months ended 30 September 2013 the hedge was valued at PLN 8.2 (positive), with PLN 3.1 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 11.3 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 9.2 (positive), including deferred tax.

19. Loans and borrowings

Loans and borrowings	**30 September 2014 unaudited**	**31 December 2013**
Short-term liabilities	1,365.1	246.0
Long-term liabilities	7,976.3	239.9
Total	**9,341.4**	**485.9**

Change in loans and borrowings liabilities:

	2014	**2013**
Loans and borrowings as at 1 January	**485.9**	**867.6**
Loans and borrowings assumed through acquisition of entities (see note 22)	6,815.6	24.9
Facilities agreement	2,800.0	-
Repayment of capital	(747.1)	(366.2)
Repayment of interest and commissions	(246.4)*	(33.5)
Interest accrued	233.4	51.7
Loans and borrowings as at 30 September unaudited	**9,341.4**	**544.5**

* 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 is 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 30 September 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 September 2014 unaudited	31 December 2013
Short-term liabilities	439.1	98.7
Long-term liabilities	4,302.1	1,340.0
Total	**4,741.2**	**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	172.4	43.7
Early redemption costs	82.1	-
Bonds redemption	(2,275.9)	-
Repayment of interest and commission	(410.7)*	(52.0)
Interest accrued	206.1	82.1
Issued bonds payable as at 30 September unaudited	**4,741.2**	**1,487.5**

* - 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 September 2014 unaudited	31 December 2013
Trade payables to related parties	55.8	4.5
Trade payables to third parties	372.1	105.6
Taxation and social security payables	128.1	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	73.6	41.3
Payables relating to purchases of tangible and intangible assets	85.1	20.5
Accruals	513.7	136.0
Short-term provisions	136.0	42.5
Financial instruments (IRS/CIRS) liabilities	102.0	11.9
Other	38.8	13.8
Total	**1,505.3**	**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	20.5
Reversal	(1.6)
Utilisation	(6.6)
Closing balance as at 30 September unaudited	**242.1**
Of which:	
Short-term	*136.0*
Long-term	*106.1*

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

	2014
Cash transferred	-
Cash and cash equivalents received	1,800.6
Cash increase in the period of 9 months ended 30 September 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 5,5 have been recognized in the income statement for the 9 month period ended 30 September 2014 within the other costs category. Share issuance-related consulting costs in amount of PLN 3,9 have been recognized as a reduction of the share premium.

The revenue and net loss included in the interim consolidated income statement for the reporting period since 7 May 2014 contributed by Metelem Group amounted to PLN 2,640.3 and PLN 16.2, 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 7,197 and PLN 317, 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 9 months ended 30 September 2014:

The 9 months ended 30 September 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	4,089.0	799.8	-	4,888.8
Inter-segment revenues	24.1	106.8	(130.9)	-
Revenues	**4,113.1**	**906.6**	**(130.9)**	**4,888.8**
EBITDA (unaudited)	**1,610.5**	**290.5**	**-**	**1,901.0**
Depreciation, amortization, impairment and disposal	825.1	27.0	-	852.1
Profit from operating activities	**785.4**	**263.5**	**-**	**1,048.9**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	346.3*	34.4	-	380.7
Balance as at 30 September 2014 (unaudited)				
Assets, including:	23,333.3	4,207.5**	(59.6)	27,481.2
Investments in jointly controlled entity	-	2.6	-	2.6

* 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 82.1.

All material revenues are generated in Poland.

It should be noted that the 9 months ended 30 September 2014 is not comparable to the 9 months ended 30 September 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 9 months ended 30 September 2013:

The 9 months ended 30 September 2013 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	1,428.1	682.2	-	2,110.3
Inter-segment revenues	17.6	72.7	(90.3)	-
Revenues	**1,445.7**	**754.9**	**(90.3)**	**2,110.3**
EBITDA (unaudited)	**507.4**	**263.4**	**-**	**770.8**
Depreciation, amortization, impairment and disposal	162.9	24.9	-	187.8
Profit from operating activities	**344.5**	**238.5**	**-**	**583.0**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	185.4*	32.5	-	217.9
Balance as at 30 September 2013 (unaudited)				
Assets, including:	1,654.7	3,977.4**	(34.1)	5,598.0
Investments in jointly controlled entity	-	2.5	-	2.5

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

** Includes non-current assets located outside of Poland.

Reconciliation of EBITDA and Net profit for the period:

	for the 9 months ended	
	30 September 2014 unaudited	**30 September 2013 unaudited**
EBITDA (unaudited)	**1,901.0**	**770.8**
Depreciation, amortization, impairment and disposal (note 11)	(852.1)	(187.8)
Profit from operating activities	**1,048.9**	**583.0**
Other foreign exchange rate differences, net (note 12)	(4.1)	6.1
Interest income (note 12)	37.8	8.5
Share of the profit of jointly controlled entity accounted for using the equity method	2.0	2.3
Interest costs (note 12 and 13)	(504.2)	(149.0)
Foreign exchange differences on issued bonds (note 13)	(172.4)	(43.7)
Early redemption costs (note 13)	(82.1)	-
Other	(15.2)	(3.1)
Gross profit for the period	**310.7**	**404.1**
Income tax	(32.2)	(51.8)
Net profit for the period	**278.5**	**352.3**

(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 September 2014 unaudited	31 December 2013
Jointly controlled entities	1.6	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.	81.6	12.1
Total*	**83.2**	**12.9**

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

The majority of receivables as at 30 September 2014 are represented by receivables resulting from agreements to share base transceiver stations and radio module and from services relating to expansion of telecommunication network.

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

Other assets

	30 September 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.	27.3	98.6
Total	**27.3**	**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 September 2014 unaudited	31 December 2013
Jointly controlled entities	1.7	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.	81.0	4.0
Total	**82.7**	**4.6**

The majority of liabilities as at 30 September 2014 are represented by liability resulting from data transfer services.

(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)

Loans granted

	30 September 2014 unaudited	31 December 2013
Jointly controlled entities	26.8	-
Total	**26.8**	**-**

Revenues

	for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited
Subsidiaries*	9.9	-
Jointly controlled entities	11.1	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.	156.8	31.0
Total	**177.8**	**31.4**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 9 months ended 30 September 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 9 months ended 30 September 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 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited
Subsidiaries*	11.4	-
Jointly controlled entities	4.7	4.0
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.	311.0	169.9
Total	**327.1**	**173.9**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 9 months ended 30 September 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 9 months ended 30 September 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 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited
Jointly controlled entities	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.	-	0.1
Total	**0.6**	**0.1**

The acquisition of shares in Metelem was presented in note 22.

25. Litigations

Management believes that the provisions for litigations as at 30 September 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 was 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. On 15 October 2014 SOKiK issued a decision where the penalty has been reduced to PLN 1.5. The judgment is not final.

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 September 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	26.8	26.8	-	-
Trade and other receivables	A	2	1,433.9	1,433.9	369.9	369.9
Forwards	B	2	8.1	8.1	-	-
Interest rate swaps	B	2	(139.7)	(139.7)	(8.0)	(8.0)
Cross-currency interest rate swaps	B	2	(9.7)	(9.7)	(4.1)	(4.1)
Cash and cash equivalents and short-term deposits	A	2	1,661.0	1,661.0	342.3	342.3
Restricted cash	A	2	12.2	12.2	-	-
Loans and borrowings	C	2	(9,484.7)	(9,341.4)	(516.5)	(485.9)
Issued bonds	C	2	(4,639.5)	(4,741.2)	(1,553.1)	(1,438.7)
UMTS licence liabilities	C	2	(923.7)	(844.2)	-	-
Finance lease liabilities	C	2	(13.8)	(13.8)	(0.5)	(0.5)
Accruals	C	2	(513.7)	(513.7)	(136.0)	(136.0)
Trade and other payables and deposits	C	2	(638.8)	(638.8)	(195.1)	(195.1)
Total			**(13,221.5)**	**(13,100.4)**	**(1,701.0)**	**(1,556.0)**
Unrecognized gain/(loss)				(121,1)		(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 license liability, forecasted cash flows from the reporting date to September 2022 were discounted at EURIBOR market rate.

(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.

As at 30 September 2014 loans and borrowings comprised senior facilities and revolving facility loan and as at 30 December 2013 senior facilities. 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. When determining the fair value of senior facilities as at 30 September 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 September 2014, forecasted cash flows from the reporting date to 31 March 2015 (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 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 September 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 September 2014, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	30 September 2014 unaudited	**Level 1**	**Level 2**	**Level 3**
forward contracts		-	8.6	-
Total		**-**	**8.6**	**-**

Liabilities measured at fair value

	30 September 2014 unaudited	**Level 1**	**Level 2**	**Level 3**
forward contracts		-	(0.5)	-
IRS		-	(139.7)	-
CIRS		-	(9.7)	-
Total		**-**	**(149.9)**	**-**

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, amounted 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.

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.

Frequency assignment

On 8 September 2014, the President of UKE assigned frequency blocks in the 1800 MHz band to Polkomtel. The assignment is for a period of 15 consecutive years (until 14 September 2029), is valid in the whole country and is technology-neutral. The requirement is to cover 90% of Poland's territory with telecommunication services provided using these frequencies, calculated together with the frequencies in 900 MHz band assigned by the President of UKE on 11 January 2011.

Polkomtel uses the 1800 MHz band to provide 2G services.

On 22 September 2014 Polkomtel has paid a one-time fee for the frequency assignment in the amount of PLN 365.4.

28. Events subsequent to the reporting date

Acqusition of shares in Muzo.fm by Telewizja Polsat

On 17 October 2014 Telewizja Polsat (Company's subsidiary) entered into a prelimiary agreement for the purchase of 100% shares in Muzo.fm radio station for the total of 4.3 zł. Muzo.fm is a regional radio station available in eleven biggest cities in Poland with approximately 5 million listeners.

Changes in the Management Board of the Company

Mr Dominik Libicki, President of the Management Board, has resigned from his position in the Management Board of the Company, effective on 28 October 2014.

On 28 October 2014 the Supervisory Board accepted the resignation placed by Mr Dominik Libicki, and appointed Mr Tomasz Gillner-Gorywoda for the position of a President of the Management Board of the Company.

On 4 November 2014 the Supervisory Board appointed Mr Maciej Stec for the position of a Member of the Management Board of the Company.

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.

(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)

Commitments to purchase programming assets

As at 30 September 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 September 2014 unaudited	31 December 2013
within one year	168.5	190.3
between 1 to 5 years	60.4	80.5
Total	**228.9**	**270.8**

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

	30 September 2014 unaudited	31 December 2013
within one year	17.1	18.2
between 1 to 5 years	0.3	-
Total	**17.4**	**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 119.1 as at 30 September 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 September 2014 was PLN 53.4 (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.

Interim Condensed Financial Statements
for 3 and 9 months ended 30 September 2014

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 12 November 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 September 2014 showing a net profit for the period of:	PLN 153.7
Interim Statement of Comprehensive Income for the period from 1 January 2014 to 30 September 2014 showing a total comprehensive income for the period of:	PLN 153.5
Interim Balance Sheet as at 30 September 2014 showing total assets and total equity and liabilities of:	PLN 12,892.8
Interim Cash Flow Statement for the period from 1 January 2014 to 30 September 2014 showing a net increase in cash and cash equivalents amounting to:	PLN 7.4
Interim Statement of Changes in Equity for the period from 1 January 2014 to 30 September 2014 showing an increase in equity of:	PLN 6,004.7

Notes to the Interim Condensed Financial Statements

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

Tomasz Gillner-Gorywoda President of the Management Board	Tobias Solorz Member 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	Maciej Stec Member of the Management Board	Dorota Wołczyńska Chief Accountant

Warsaw, 12 November 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 3 months ended		for the 9 months ended	
	Note	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Revenue	9	503.7	478.8	1,491.0	1,432.9
Operating costs	10	(443.4)	(368.8)	(1,233.9)	(1,141.8)
Other operating income/(costs), net		(0.9)	(1.2)	1.6	(1.5)
Profit from operating activities		**59.4**	**108.8**	**258.7**	**289.6**
Gain/loss on investment activities, net	11	(5.4)	4.8	170.7	308.1
Finance costs	12	(32.9)	(15.3)	(280.9)	(206.5)
Gross profit for the period		**21.1**	**98.3**	**148.5**	**391.2**
Income tax		(4.2)	(18.9)	5.2	(13.1)
Net profit for the period		**16.9**	**79.4**	**153.7**	**378.1**
Basic and diluted earnings per share (in PLN)		**0.03**	**0.23**	**0.30**	**1.09**

Interim Statement of Comprehensive Income

		for the 3 months ended		for the 9 months ended	
	Note	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Net profit for the period		**16.9**	**79.4**	**153.7**	**378.1**
Items that may be reclassified subsequently to profit or loss:					
Valuation of hedging instruments	15	(11.3)	2.2	(0.2)	11.3
Income tax relating to hedge valuation	15	2.1	(0.4)	-	(2.1)
Items that may be reclassified subsequently to profit or loss		**(9.2)**	**1.8**	**(0.2)**	**9.2**
Other comprehensive income, net of tax		**(9.2)**	**1.8**	**(0.2)**	**9.2**
Total comprehensive income for the period		**7.7**	**81.2**	**153.5**	**387.3**

(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 September 2014 unaudited	31 December 2013
Reception equipment		417.0	407.6
Other property, plant and equipment		165.0	167.1
Goodwill		52.0	52.0
Other intangible assets		71.2	72.1
Investment property		1.8	1.9
Shares in subsidiaries	13	11,561.5	4,719.9
Non-current deferred distribution fees		31.5	29.5
Other non-current assets		29.1	12.3
Total non-current assets		**12,329.1**	**5,462.4**
Inventories		130.9	144.7
Trade and other receivables		220.2	214.3
Income tax receivables		26.0	-
Current deferred distribution fees		72.2	70.1
Other current assets		80.8	105.1
Cash and cash equivalents		33.6	26.1
Total current assets		**563.7**	**560.3**
Total assets		**12,892.8**	**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 September 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	(9.2)	(9.0)
Retained earnings		2,172.0	2,121.2
Total equity		**9,425.9**	**3,421.2**
Loans and borrowings	16	1,968.7	239.9
Issued bonds	17	-	1,322.7
Finance lease liabilities		0.9	1.5
Deferred tax liabilities		90.5	93.8
Deferred income		3.9	4.1
Other non-current liabilities and provisions		14.5	7.2
Total non-current liabilities		**2,078.5**	**1,669.2**
Loans and borrowings	16	835.0	297.3
Issued bonds	17	-	112.2
Finance lease liabilities		1.2	2.2
Trade and other payables		333.4	304.7
Income tax liability		-	3.9
Deposits for equipment		2.7	2.7
Deferred income		216.1	209.3
Total current liabilities		**1,388.4**	**932.3**
Total liabilities		**3,466.9**	**2,601.5**
Total equity and liabilities		**12,892.8**	**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

	for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited
Net profit	**153.7**	**378.1**
Adjustments for:	**199.6**	**(75.3)**
Depreciation, amortization, impairment and disposal	163.6	161.5
(Gain)/loss on sale of property, plant and equipment and intangible assets	(0.3)	0.2
Interest expense	170.2	159.2
Change in inventories	13.8	5.1
Change in receivables and other assets	6.7	24.8
Change in liabilities, provisions and deferred income	63.1	(78.7)
Valuation of hedging instruments	(0.2)	11.3
Foreign exchange losses, net	22.6	43.5
Income tax	(5.2)	13.1
Net increase in reception equipment provided under operating lease	(142.1)	(116.8)
Dividends income	(166.8)	(303.2)
Other adjustments	74.2	4.7
Cash from operating activities	**353.3**	**302.8**
Income tax paid	(27.9)	(1.3)
Interest received from operating activities	0.9	0.9
Net cash from operating activities	**326.3**	**302.4**
Dividends received	166.8	303.1
Proceeds from forward instruments (USD)	8.1	-
Proceeds from sale of property, plant and equipment	0.8	0.1
Loans granted	(9.0)	-
Acquisition of property, plant and equipment	(26.2)	(38.9)
Acquisition of intangible assets	(27.3)	(25.5)
Share capital increase in subsidiaries and acquisition of shares	(883.7)	(131.0)
Net cash from/(used in) investing activities	**(770.5)**	**107.8**
Term loans received	2,800.0	-
Net cash from Cash Pool with paid interest	218.1	16.4
Proceeds from forward instruments (EUR)	2.9	-
Finance lease – principal repayments	(1.7)	(1.6)
Payment of share issuance-related consulting costs	(3.9)	-
Dividend paid	(102.9)	-
Payment of interest on loans, borrowings, bonds, finance lease and commissions*	(241.8)	(103.8)
Repayment of loans and borrowings	(747.1)	(341.3)
Bonds redemption	(1,472.0)	-
Net cash from/(used in) financing activities	**451.6**	**(430.3)**
Net increase/(decrease) in cash and cash equivalents	**7.4**	**(20.1)**
Cash and cash equivalents at the beginning of period	**26.1**	**59.3**
Effect of exchange rate fluctuations on cash and cash equivalents	0.1	0.0
Cash and cash equivalents at the end of period	**33.6**	**39.2**

* 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 9 months ended 30 September 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		-	-	(0.2)	153.7	**153.5**
Hedge valuation reserve		-	-	*(0.2)*	-	***(0.2)***
Net profit for the period		-	-	-	*153.7*	***153.7***
Balance as at 30 September 2014 unaudited		**25.6**	**7,237.5**	**(9.2)**	**2,172.0**	**9,425.9**

* 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 9 months ended 30 September 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	-	-	9.2	378.1	**387.3**
Hedge valuation reserve	-	-	*9.2*	-	***9.2***
Net profit for the period	-	-	-	*378.1*	***378.1***
Balance as at 30 September 2013 unaudited	**13.9**	**1,295.1**	**(11.4)**	**2,070.2**	**3,367.8**

* 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.

(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)

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 telecommunication services provider.

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 ('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 (until 28 October 2014),
- Tomasz Gillner-Gorywoda	President of the Management Board (from 28 October 2014),
- Tobias Solorz	Member of the Management Board (from 1 September 2014),
- Dariusz Działkowski	Member of the Management Board,
- Aneta Jaskólska	Member of the Management Board,
- Maciej Stec	Member of the Management Board (from 4 November 2014),
- 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 3 and 9 months ended 30 September 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 9 months ended 30 September 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. 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 12 November 2014.

7. Information on Seasonality in the Company's Operations

Retail revenue 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 cost of settlements with telecommunication operators which contain broadcasting and signal transmission costs, cost of settlements with telecommunication 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 3 and 9 months ended 30 September 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 3 months ended 30 September 2013			
	30 September 2013 *(reported)*	**Retail revenue**	**Wholesale revenue**	**Sale of equipment**	**Other revenue**
Retail revenue	460.2	459.6	0.6	-	-
Sale of equipment	7.1	-	-	7.1	-
Other revenue	11.5	-	7.2	-	4.3
Total	**478.8**	**459.6**	**7.8**	**7.1**	**4.3**

		Change in presentation Restated data for the for the 9 months ended 30 September 2013			
	30 September 2013 *(reported)*	**Retail revenue**	**Wholesale revenue**	**Sale of equipment**	**Other revenue**
Retail revenue	1,362.9	1,361.5	1.4	-	-
Sale of equipment	32.0	-	-	32.0	-
Other revenue	38.0	-	23.2	-	14.8
Total	**1,432.9**	**1,361.5**	**24.6**	**32.0**	**14.8**

(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)

		Change in presentation Restated data for the for the 3 months ended 30 September 2013							
	30 September 2013 *(reported)*	**Content costs**	**Distribution, marketing, customer relation management and retention costs**	**Depreciation, amortization, impairment and disposal**	**Technical costs and costs of settlements with telecommu-nication 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	118.5	118.5	-	-	-	-	-	-	-
Distribution, marketing, customer relation management and retention costs	74.9	-	74.9	-	-	-	-	-	-
Depreciation, amortization and impairment	55.1	-	-	55.1	-	-	-	-	-
Salaries and employee-related costs	24.9	-	-	-	-	24.9	-	-	-
Broadcasting and signal transmission costs	23.8	-	-	-	23.8	-	-	-	-
Cost of equipment sold	10.6	-	-	-	-	-	10.6	-	-
Cost of settlements with mobile network operators and interconnection charges	19.2	-	-	-	19.2	-	-	-	-
Cost of debt collection services and bad debt allowance and receivables written off	5.1	-	-	-	-	-	-	5.1	-
Other costs	36.7	-	-	-	5.4	-	-	-	31.3
Total	**368.8**	**118.5**	**74.9**	**55.1**	**48.4**	**24.9**	**10.6**	**5.1**	**31.3**

(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 9 months ended 30 September 2013							
	30 September 2013 *(reported)*	**Content costs**	**Distribution, marketing, customer relation management and retention costs**	**Depreciation, amortization, impairment and disposal**	**Technical costs and costs of settlements with telecommu-nication 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	353.9	353.9	-	-	-	-	-	-	-
Distribution, marketing, customer relation management and retention costs	239.1	-	239.1	-	-	-	-	-	-
Depreciation, amortization and impairment	161.5	-	-	161.5	-	-	-	-	-
Salaries and employee-related costs	77.9	-	-	-	-	77.9	-	-	-
Broadcasting and signal transmission costs	69.8	-	-	-	69.8	-	-	-	-
Cost of equipment sold	53.2	-	-	-	-	-	53.2	-	-
Cost of settlements with mobile network operators and interconnection charges	51.7	-	-	-	51.7	-	-	-	-
Cost of debt collection services and bad debt allowance and receivables written off	22.5	-	-	-	-	-	-	22.5	-
Other costs	112.2	3.1	-	-	16.7	-	-	-	92.4
Total	**1,141.8**	**357.0**	**239.1**	**161.5**	**138.2**	**77.9**	**53.2**	**22.5**	**92.4**

(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)

9. Revenue

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Retail revenue	477.8	459.6	1,416.7	1,361.5
Wholesale revenue	9.5	7.8	27.9	24.6
Sale of equipment	7.8	7.1	28.5	32.0
Other revenue	8.6	4.3	17.9	14.8
Total	**503.7**	**478.8**	**1,491.0**	**1,432.9**

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

10. Operating costs

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Content costs	140.6	118.5	382.9	357.0
Distribution, marketing, customer relation management and retention costs	81.9	74.9	237.8	239.1
Depreciation, amortization, impairment and disposal	55.4	55.1	163.6	161.5
Technical costs and costs of settlements with telecommunication operators	75.9	48.4	187.2	138.2
Salaries and employee-related costs	30.0	24.9	94.1	77.9
Cost of equipment sold	14.7	10.6	39.4	53.2
Cost of debt collection services and bad debt allowance and receivables written off	10.5	5.1	29.6	22.5
Other costs	34.4	31.3	99.3	92.4
Total	**443.4**	**368.8**	**1,233.9**	**1,141.8**

a) Salaries and employee-related costs

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Salaries	25.6	20.9	79.0	64.5
Social security contributions	3.6	3.1	12.2	10.8
Other employee-related costs	0.8	0.9	2.9	2.6
Total	**30.0**	**24.9**	**94.1**	**77.9**

(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)

11. Gain/loss on investment activities, net

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Dividends received	-	-	166.8	303.2
Guarantee fees from related parties	-	2.4	3.3	6.9
Interest expense	(0.6)	(0.4)	(0.7)	(0.6)
Other foreign exchange income/(losses), net	(4.6)	2.8	(6.6)	(1.4)
Realization of USD forward	-	-	8.1	-
Other	(0.2)	-	(0.2)	-
Total	**(5.4)**	**4.8**	**170.7**	**308.1**

12. Finance costs

	for the 3 months ended		for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited	30 September 2014 unaudited	30 September 2013 unaudited
Interest expense on loans and borrowings	30.8	15.1	87.5	51.7
Interest expense on issued bonds	-	31.1	70.4	93.9
Early redemption costs (see note 17)	-	-	82.1	-
Foreign exchange differences on issued bonds	-	(38.3)	22.7	43.5
Valuation and realization of hedging instruments	(0.1)	6.1	4.5	12.7
Valuation and realization of instruments not under hedge accounting	-	-	4.2	-
Guarantee fees	1.5	0.5	4.5	2.0
Bank and other charges	0.7	0.8	5.0	2.7
Total	**32.9**	**15.3**	**280.9**	**206.5**

13. Shares in subsidiaries

	31 December 2013	Additions	Decreases	30 September 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 3.9 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 September 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 September 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	31,664,664	1.3	4.95%	31,664,664	3.87%
Other	182,703,294	7.3	28.57%	182,874,544	22.33%
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.

(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)

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	-	8.2
Amount transferred to income statement	11.1	3.1
Deferred tax	2.1	(2.1)
Change for the period (old credit facility)	**9.0**	**9.2**
Hedging relationship designation	(11.3)	-
Deferred tax	2.1	-
Change for the period (new credit facility)	**(9.2)**	**-**
Balance as at 30 September unaudited	**(9.2)**	**(11.4)**

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 connection with new credit facility a new hedging relationship was designated.

In the 9 months ended 30 September 2013 the hedge was valued at PLN 8.2 (positive), with PLN 3.1 recognized in the profit and loss account in correspondence with finance costs. Since the hedge was determined to be effective, PLN 11.3 was recognized within the hedge valuation reserve. The total effect of the hedge valuation on the hedge valuation reserve amounts to PLN 9.2 (positive), including deferred tax.

16. Loans and borrowings

Loans and borrowings	**30 September 2014 unaudited**	**31 December 2013**
Short-term liabilities	835.0	297.3
Long-term liabilities	1,968.7	239.9
Total	**2,803.7**	**537.2**

(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)

Change in loans and borrowings liabilities:

	2014	2013
Loans and borrowings as at 1 January	**537.2**	**903.4**
Repayment of capital	(747.1)	(341.3)
Repayment of interest and commissions	(93.0)*	(33.5)
Facilities agreement	2,800.0	-
Net cash from Cash Pool	219.1	17.1
Interest accrued	87.5	51.7
Loans and borrowings as at 30 September unaudited	**2,803.7**	**597.4**

* 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 is 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.

(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 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.

17. Issued bonds

	30 September 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	43.5
Early redemption costs	82.1	-
Repayment of interest and commissions	(138.1)*	(59.4)
Interest accrued	70.4	93.9
Issued bonds payable as at 30 September unaudited	**-**	**1.487.3**

* 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).

(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)

18. Transactions with related parties

Receivables

	30 September 2014 unaudited	31 December 2013
Subsidiaries	23.4	7.4
Jointly controlled entities	0.3	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	**25.1**	**13.9**

Other assets

	30 September 2014 unaudited	31 December 2013
Subsidiaries	46.6	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.	27.3	98.6
Total	**73.9**	**100.8**

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 September 2014 unaudited	31 December 2013
Subsidiaries	69.5	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.	4.2	0.1
Total	**74.8**	**27.8**

A significant portion of liabilities is represented by programming licence fees and fees for using "Cyfrowy Polsat" trade mark.

(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)

Loans granted

	30 September 2014 unaudited	31 December 2013
Jointly controlled entities	9.1	-
Total	**9.1**	**-**

Bond liabilities

	30 September 2014 unaudited	31 December 2013
Subsidiaries	-	1,434.9
Total	**-**	**1,434.9**

Revenues

	for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited
Subsidiaries	30.4	16.3
Jointly controlled entities	-	-
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.	2.2	5.1
Total	**32.6**	**21.4**

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

Expenses

	for the 9 months ended	
	30 September 2014 unaudited	30 September 2013 unaudited
Subsidiaries	198.6	155.1
Jointly controlled entities	2.1	2.1
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.	94.0	65.4
Total	**294.7**	**222.6**

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.

(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 9 months ended	
	30 September 2014 unaudited	30 September 2014 unaudited
Subsidiaries	170.1	310.1
Jointly controlled entities	0.1	-
Total	**170.2**	**310.1**

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.

Finance costs

	for the 9 months ended	
	30 September 2014 unaudited	30 September 2014 unaudited
Subsidiaries	155.5	95.8
Total	**155.5**	**95.8**

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 for litigations as at 30 September 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.

(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)

Liquidity risk

Compared to end of year 2013, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value

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

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

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

			30 September 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	220.7	220.7	210.9	210.9
Loans granted to related parties	A	2	9.1	9.1	-	-
IRS	B	2	(13.4)	(13.4)	(8.0)	(8.0)
CIRS	B	2	-	-	(4.1)	(4.1)
Cash and cash equivalents	A	2	33.6	33.6	26.1	26.1
Loans and borrowings	C	2	(2,870.4)	(2,803.7)	(567.8)	(537.2)
Issued bonds	C	2	-	-	(1,613.0)	(1,434.9)
Finance lease liabilities	C	2	(2.1)	(2.1)	(3.7)	(3.7)
Accruals	C	2	(129.2)	(129.2)	(123.4)	(123.4)
Trade and other payables and deposits	C	2	(155.0)	(155.0)	(132.2)	(132.2)
Total			**(2,906.7)**	**(2,840.0)**	**(2,215.2)**	**(2,006.5)**
Unrecognized gain/(loss)				(66.7)		(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.

(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 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.

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 September 2014 loans and borrowings comprised senior facility, revolving facility loan and Cash Pool and as at 31 December 2013 senior facility and Cash Pool. 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. When determining the fair value of senior facility as at 30 September 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 September 2014, forecasted cash flows from the reporting date to 31 March 2015 (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 fair value of Cash Pool is set as the nominal value, which is equal to carrying amount.

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

When determining the fair value of issued bonds as at 31 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 September 2014, the Company held the following financial instruments carried at fair value on the statement of financial position:

Liabilities measured at fair value

	30 September 2014 Unaudited	Level 1	Level 2	Level 3
IRS		-	(13.4)	-
Total		**-**	**(13.4)**	**-**

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, amounted 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).

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.

22. Events subsequent to the reporting date

Changes in the Management Board of the Company

Mr Dominik Libicki, President of the Management Board, has resigned from his position in the Management Board of the Company, effective on 28 October 2014.

On 28 October 2014 the Supervisory Board accepted the resignation placed by Mr Dominik Libicki, and appointed Mr Tomasz Gillner-Gorywoda for the position of a President of the Management Board of the Company.

On 4 November 2014 the Supervisory Board appointed Mr Maciej Stec for the position of a Member of the Management Board of the Company.

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 13.3 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 0.0 as at 30 September 2014 (PLN 1.9 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 September 2014 was PLN 0.3 (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.