CYFROWY POLSAT S.A.

CAPITAL GROUP

Interim Consolidated Report
for the three month period ended
March 31, 2015

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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 MARCH 31, 2015

POLSAT GROUP AT A GLANCE

Polsat 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:

- 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 160 TV channels, including over 45 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.

- 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;

- 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.

Our vision and main strategic goals

Our strategy assumes that we will create and deliver the most attractive TV content, telecommunication products and other services for the home, residential and business customers, using state-of-the-art technologies to provide top quality multi-play services that match the changing needs of the market, while maintaining the highest possible level of customer satisfaction.

Our superior goal is to become the number one player on the Polish entertainment and telecoms markets. To achieve this objective we will continue to provide high quality products and services to all our customers as well as 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 users as well as maximizing the number of services offered to each customer while simultaneously increasing average revenue per user (ARPU) and maintaining high levels of customer satisfaction,
- maximizing revenue from produced and purchased content by expanding its distribution, maintaining the audience shares of our channels and improving our viewer profile, and
- effective management of the cost base of our integrated media and telecoms group by exploiting its inherent synergies.

DISCLAIMERS

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.

Presentation of financial and other information

References to the Company and Cyfrowy Polsat contained in this Management Board's report on the activities of Cyfrowy Polsat S.A. Capital Group (hereafter 'Report') apply to Cyfrowy Polsat S.A. and all references to the Group, Polsat Group, Capital Group, Cyfrowy Polsat Group or Cyfrowy Polsat Capital 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.

Financial and operating data

This Report contains financial statements and financial information relating to the Company and the Group. In particular, this it contains our quarterly condensed consolidated financial statement for the 3-month period ended March 31, 2015 and quarterly condensed financial statement for the 3-month period ended March 31, 2014. The financial statements attached to this 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 have not been audited by an independent auditor.

Certain arithmetical data contained in this 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.

Currency presentation

Unless otherwise indicated, in this 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.

Forward looking statements

This 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 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 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 Report.

Industry and market data

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

- Eurostat, for data relating to the Polish economy and GDP growth;
- Polish Chamber of Electronic Communication;
- Office of Electronic Communications (UKE);
- Central Statistical Office of Poland (GUS);
- Body of European Regulators for Electronic Communications (BEREC);
- European Commission (Digital Agenda Scoreboard);
- Nielsen Audience Measurement;
- Starlink;
- IAB AdEX;
- PwC (Global entertainment and media outlook: 2014-2018);
- ZenithOptimedia;
- Megapanel PBI/Gemius;
- PMR;
- IQS;
- GFK Polonia;
- e-marketer;
- Ericsson Mobility Report; and
- Operators functioning on the Polish market.

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

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

FINANCIAL DATA OVERVIEW

The following tables set out selected consolidated financial data for the 3-month period ended March 31, 2015 and March 31, 2014. 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-month period ended March 31, 2015 and the information included in item 4 of this Report – *Operating and financial review of Polsat Group*.

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 and the consolidated cash flow statement for the 3-month period ended March 31, 2015 and March 31, 2014 have been converted into euro at a rate of PLN 4.1956 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 March 31, 2015;
- from the consolidated balance sheet data as at March 31, 2015 and December 31, 2014 have been converted into euro at a rate of PLN 4.0890 per EUR 1.00 (average exchange rate published by NBP on March 31, 2015).

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 3-month period ended March 31, 2015 are not fully comparable with data for the 3-month period ended March 31, 2014 due to the acquisition of 100% shares of Metelem Holding Company Limited, the indirect parent of Polkomtel, on May 7, 2014 and the acquisition of 100% shares in Radio PIN S.A. on February 27, 2015. However, given that the results of Radio PIN dot not have a material impact on the results of the Group, they will not be subject to elimination in the analysis of the Group's financial situation.

	March 31, 2015		December 31, 2014	
	mPLN	mEUR	mPLN	mEUR
Consolidated balance sheet				
Cash and cash equivalents*	1,534.3	375.2	1,747.9	427.5
Assets	27,088.9	6,624.8	27,381.2	6,696.3
Non-current liabilities	13,627.2	3,332.6	14,072.4	3,441.5
Current liabilities	4,149.8	1,014.9	4,167.2	1,019.1
Equity	9,311.9	2,277.3	9,141.6	2,235.7
Share capital	25.6	6.3	25.6	6.3

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

	for the 3-month period ended March 31			
	2015		2014	
	mPLN	mEUR	mPLN	mEUR
Consolidated cash flow statement				
Net cash flow from operating activities	417.7	99.6	169.2	40.3
Net cash flow from/(used in) investment activities	(208.2)	(49.6)	(36.6)	(8.7)
Net cash flow used in financial activities	(467.4)	(111.4)	(46.6)	(11.1)
Net change in cash and cash equivalents	(257.9)	(61.5)	86.0	20.5

	for the 3-month period ended March 31			
	2015		2014	
	mPLN	mEUR	mPLN	mEUR
Consolidated income statement				
Retail revenue	1,637.2	390.2	467.8	111.5
Wholesale revenue	553.3	131.9	242.2	57.7
Sale of equipment	118.4	28.2	7.9	1.9
Other sales revenue	20.1	4.8	5.4	1.3
Revenue	**2,329.0**	**555.1**	**723.3**	**172.4**
Content costs	(235.5)	(56.1)	(210.7)	(50.2)
Distribution, marketing, customer relation management and retention costs	(189.2)	(45.1)	(75.3)	(17.9)
Depreciation, amortization, impairment and liquidation	(467.9)	(111.5)	(62.4)	(14.9)
Technical costs and cost of settlements with mobile network operators	(482.3)	(115.0)	(71.4)	(17.0)
Salaries and employee-related costs	(129.1)	(30.8)	(44.7)	(10.7)
Cost of equipment sold	(332.5)	(79.2)	(10.3)	(2.5)
Cost of debt collection services and bad debt allowance and receivables written off	(18.7)	(4.5)	(6.7)	(1.6)
Other costs	(53.8)	(12.8)	(26.0)	(6.2)
Total operating cost	**(1,909.0)**	**(455.0)**	**(507.5)**	**(121.0)**
Other operating income, net	8.7	2.1	3.6	0.9
Profit from operating activities	**428.7**	**102.2**	**219.4**	**52.3**
Gain/(loss) on investment activities, net	28.9	6.9	1.3	0.3
Financial costs	(261.3)	(62.3)	(108.8)	(25.9)
Share of the profit of a joint venture accounted for using the equity method	0.5	0.1	0.7	0.2
Gross profit for the period	**196.8**	**46.9**	**112.6**	**26.8**
Income tax	(26.0)	(6.2)	(14.4)	(3.4)
Net profit for the period	**170.8**	**40.7**	**98.2**	**23.4**
Basic and diluted earnings per share (not in millions)	0.27	0.06	0.28	0.07
Weighted number of issued shares in PLN	639,546,016		348,352,836	
Other consolidated financial data				
EBITDA (1)	896.6	213.7	281.8	67.2
EBITDA margin	38.5%	38.5%	39.0%	39.0%
Operating margin	18.4%	18.4%	30.3%	30.3%
Capital expenditures, net (2)	156.5	37.3	39.1	9.3

(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 joint ventures. 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 expenditures, net represent 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.

1. CHARACTERISTICS OF POLSAT GROUP

1.1. Composition and structure of the Group

The table and graph below present the organizational structure of Polsat Group as at March 31, 2015, indicating the consolidation method.

Company name	Registered office	Activity	Share in voting rights (%) as at	
			March 31, 2015	December 31, 2014
Parent Company				
Cyfrowy Polsat S.A.	Łubinowa 4a, Warsaw	radio, TV and telecommunication activities	n/a	n/a
Subsidiaries consolidated using the full consolidation method				
Cyfrowy Polsat Trade Marks Sp. z o.o.	Łubinowa 4a, Warsaw	non-current assets and intellectual property rights management	100%	100%
Cyfrowy Polsat Finance AB	Stureplan 4C, 4 TR 114 35 Stockholm, Sweden	financial transactions	100%	100%
Telewizja Polsat Sp. z o.o.	Ostrobramska 77, Warsaw	broadcasting and television production	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o. Sp. k.	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Polsat Media Biuro Reklamy Sp. z o.o.	Ostrobramska 77, Warsaw	media	100%	100%
Nord License AS	Vollsvseien 13B, Lysaker Norway	trade of programming licenses	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, Switzerland	trade of programming licenses	100%	100%
Polsat Ltd.	238A King Street, London W6 0RF, Great Britain	television broadcasting	100%	100%
Radio PIN S.A.	Ostrobramska 77, Warsaw	radio 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)	Alte Landstrasse 17, 8863 Buttikon, 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%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
PL 2014 Sp. z o.o.	Stanów Zjednoczonych 53, Warsaw	other activity related to sports	100%	100%

Company name	Registered office	Activity	Share in voting rights (%) as at March 31, 2015	Share in voting rights (%) as at December 31, 2014
Metelem Holding Company Limited [(1)]	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding and financial activities	100%	100%
Eileme 1 AB (publ) [(1)]	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ) [(1)]	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ) [(1)]	Stureplan 4C, 114 35 Stockholm, Sweden	holding and financial activities	100%	100%
Eileme 4 AB (publ) [(1)]	Stureplan 4C, 114 35 Stockholm, Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o. [(1)]	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o. [(1)]	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ) [(1)]	Norrlandsgatan 18, 111 43 Stockholm, Sweden	financial activities	100%	100%
Liberty Poland S.A. [(1)]	Katowicka 47, 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o. [(1)]	Postępu 3, 02-676 Warsaw	other activities supporting financial services	100%	100%
Plus TM Management Sp. z o.o. [(1)]	Postępu 3, 02-676 Warsaw	telecommunication activities	100%	100%
LTE Holdings Limited [(1)]	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding activities	100%	100%
Plus TM Group Spółka z ograniczoną odpowiedzialnością S.K.A. [(1)]	Postępu 3, 02-676 Warsaw	intellectual properties and similar items rental	100%	100%
Plus TM Group Sp. z o.o. [(1)]	Postępu 3, 02-676 Warsaw	holding activities	100%	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.	Huculska 6, Warsaw	radio communications and radio diffusion	50%	50%
New Media Ventures Sp. z o.o.[(1)]	Wołoska 18, 02-675 Warsaw	maintenance of loyalty programs	49.97%	49.97%
Paszport Korzyści Sp. z o.o. [(1)]	Postępu 3, 02-676 Warsaw	maintenance of loyalty programs	49%	49%

(1) Company consolidated since May 7, 2014

Additionally, the following entities were included in the consolidated financial statements for the 3-month period ended March 31, 2015:

Company name	Registered office	Activity	Share in voting rights (%) as at March 31, 2015	Share in voting rights (%) as at December 31, 2014
Karpacka Telewizja Kablowa Sp. z o.o. [(1)]	Warszawska 220, Radom	dormant	99%	99%
Litenite Limited [(2)]	Kostakis Pantelidi 1, 1010 Nicosia, Cyprus	holding company	49%	49%

(1) Investment accounted for at cost less any accumulated impairment losses
(2) Due to restriction related to a dividend and construction of the transactions related to the acquisition, investment in Litenite Limited is accounted for as an investments in associates without equity pick-up.

Changes in the organizational structure of Polsat Group and their effects

From January 1, 2015 until the date of publication of this Report, the following changes were implemented to the structure of Polsat Group. These changes are the effect of acquisitions as well as part of the process of optimizing the structure and processes realized within the Group.

Date	Change
February 27, 2015	Acquisition by Telewizja Polsat of 100% of shares in the share capital of Radio PIN S.A.
April 1, 2015	Acquisition by Polsat Group of 100% shares in the share capital of Orsen Holding Limited.

1.2. Shareholders holding material bundles of shares of Cyfrowy Polsat S.A.

The following table presents shareholders of Cyfrowy Polsat S.A. holding – according to our best knowledge – at least 5% of votes at the General Meeting of Cyfrowy Polsat S.A. as at the date of publication of this 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.

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%
Embud Sp. z o.o. (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 an indirect subsidiary Mr. Zygmunt Solorz-Żak.
(2) Entity controlled by Mr. Zygmunt Solorz-Żak.
(3) Entity controlled by EVO Foundation with its registered seat in Vadus, Liechtenstein.

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

On March 16, 2015 Embud acquired from Argumenol 28,415,173 ordinary series J bearer shares of the Company. The transaction was recorded on the securities account on March 16, 2015. As a result of this transaction, Embud currently holds 58,063,948 shares of the Company, constituting 9.08% of the Company's share capital, representing 58,063,948 votes at the general meeting of the Company, which constitutes 7.09% of the total number of votes in the Company.

Prior to the above-mentioned acquisition of shares Embud held 29,648,775 shares in the Company in total, constituting 4.64% of the Company's share capital, carrying the right to 29,648,775 votes at the General Meeting of the Company, which constituted 3.62% of the total number of votes at the General Meeting of the Company.

As a result of the above-mentioned transaction Argumenol no longer holds shares of the Company.

Moreover, on March 17, 2015 the Company received a lock-up letter from Embud regarding the acquired shares, resulting from the restriction of sale of the shares by which Argumenol is bound. The Company published the content of this lock-up letter in current report No. 12/2015 dated March 18, 2015.

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

Management Board of Cyfrowy Polsat S.A.

As at the date of publication of this Report, i.e. May 14, 2015 and as at the date of publication of the previous periodic report (annual report for 2014) on March 4, 2015, the members of the Company's Management Board did not hold, directly or indirectly, shares of the Company.

Supervisory Board of Cyfrowy Polsat S.A.

The following table presents shares controlled directly or indirectly by members of the Company's Supervisory Board as at the date of publication of this Report, i.e. May 14, 2015, and changes in their holdings since the date of publication of the previous financial report (annual report for 2014) on March 4, 2015. The information included in the table is based on information received from members of our Supervisory Board.

Supervisory Board Member	Balance as at 04.03.2015	Increases	Decreases	Balance as at 14.05.2015
Zygmunt Solorz-Żak (1) *Chairman of the Supervisory Board*	370.256.512	-	-	370.256.512

(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 1.2 hereinabove.

2. Business review of Polsat Group

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: pay TV via satellite, terrestrial and online broadcasting, mobile telephony and data transfer services, as well as broadband Internet access in 2G/3G and LTE technologies. We also provide a wide array of wholesale services to other mobile networks and television operators.

We operate in two business segments: segment of services to individual and business customers, 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 as well as sales of telecommunication equipment and production of set-top boxes. As at March 31, 2015 we had 6.1 million contract customers, and companies from our Group provided a total of over 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.

2.1. Segment of services to individual and business customers

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 March 31, 2015 we provided 4.5 million active pay TV services (including almost 0.9 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 160 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 45 HD channels and also provide VOD/PPV, online TV, catch-up TV and Multrioom HD services.

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

As the only operator in Poland, we offer our subscribers our own high-quality set-top boxes at affordable prices. In the first quarter of 2015, our set-top boxes accounted for 95% of all the set-top boxes sold or otherwise made available to our pay TV customers. Until March 2015 we manufactured a total of over 6,6 million set-top boxes, including 4.5 million HD units.

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 first quarter of 2015 the average number of unique users of the IPLA website/application was approximately 4.3 million per month.

IPLA online television offers its viewers access to over 1,600 films and more than 100 TV series, over 35 TV channels, around 200 hours of live sports coverage in HD per month, and Poland's largest legal TV content database, comprising approximately 48,000 video materials. IPLA television also comprises a vast library of content available free of charge with commercials (90% of the entire resources).

Access to IPLA resources is available to users of computers running Windows through the www.ipla.tv website and dedicated applications, mobile devices powered by iOS, Android and Windows Phone, TV sets with internet connections

(Samsung, LG, Sony, Panasonic, Philips, Sharp, Ikea, Loewe, Thomson, TCL), set-top boxes (Cyfrowy Polsat, cable TV TOYA, Netia) and game consoles (PlayStation 3).

Furthermore, as of 2009 our pay TV customers can also use our video on demand service VOD – Home Video Rental, offering paid access to new movies and hits via set-top boxes. One of our transponders is dedicated entirely to the provision of the VOD service by satellite. The service requires no additional technology solutions, it can be accessed via a TV set, and is available only to customers who have an HD set-top box.

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 (according to the 'Report on the telecommunications market in Poland in 2013', published by UKE in June 2014). As at March 31, 2015 we provided over 10.3 million mobile telephony services.

We offer a comprehensive array of telecommunications services under the established umbrella brand 'Plus' and our additional brand 'Plush'. 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.

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. As at the end of March 2015, LTE Internet and HSPA/HSPA+ Internet cover over 90% and nearly 100% of Poland's population, respectively. As at March 31, 2015 we provided over 1.6 million broadband Internet access services.

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 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.

Bundled services

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.

smartDOM

As part of our 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 Polsat Group.

Within the smartDOM program we offer a promotion, marketed under the slogan 'Second product half off, third product for one zloty'. 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.

smartFIRMA

In October 2014, we launched a similar program addressed to business clients 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.

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).

Network interconnection

Our telecommunications infrastructure used in interconnection cooperation enables us to effectively manage telecommunications traffic routing to all operators domestically and abroad. As at March 31, 2015 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.

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 Midas Group 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.

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.

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.

2.2. Broadcasting and television production segment

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 13.44% in the first quarter of 2015. 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 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.
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 shows 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, current and international affairs. Addressed to viewers interested in economics.
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.

Thematic channel	Description
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, the programming offer of which includes feature movies, series, entertainment and popular science 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 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.

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 first quarter of 2015 we captured 25.3% of the Polish TV advertising market worth approximately PLN 873 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.

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.

3. SIGNIFICANT EVENTS

3.1. Corporate events

Bond Issue program

On January 16, 2015, the Extraordinary General Meeting of the Company adopted Resolution no. 6 thereby giving its approval for the Company to issue bonds with a total nominal value of up to PLN 1 billion under a bond issue program, in the period from January 16, 2015 until July 15, 2015. According to the provisions of the aforesaid resolution, the bonds will be denominated in Polish zlotys and may be issued in one or several series, as registered or bearer bonds. Furthermore, the bonds may be issued as non-secured or secured bonds. The Extraordinary General Meeting authorized the Management Board of the Company to set forth the detailed terms of the bond issue program.

Appointment of members of the Supervisory Board

Pursuant to resolutions adopted on April 2, 2015, the Annual General Meeting of the Company decided that the Supervisory Board of the new term will consist of six members and appointed Mr. Zygmunt Solorz-Żak, Mr. Robert Gwiazdowski, Mr. Józef Birka, Mr. Aleksander Myszka, Mr. Heronim Ruta and Mr. Leszek Reksa to the Supervisory Board for the subsequent three-year term.

Mr. Zygmunt Solorz-Żak Was elected the Chairman of the Supervisory Board. The Audit Committee comprises Mr. Heronim Ruta, Mr. Robert Gwiazdowski and Mr. Leszek Reksa. The Remuneration Committee comprises: Mr. Zygmunt Solorz-Żak and Mr. Heronim Ruta.

Early prepayment of part of the term loan

On April 3, 2015, Polkomtel submitted an instruction for initiating the procedure of an early prepayment of part of the PLK Term Loan in the amount of PLN 600 million. The prepayment, along with the allocation to individual credit tranches, was effected on April 13, 2015. The effected early prepayment of the PLK Term Loan has no impact on the provisions of the Senior Facilities Agreement.

Listing of Series J shares

In its Resolution No. 337/2015 of April 13, 2015 the Management Board of the Warsaw Stock Exchange (the 'WSE') decided that 243,932,490 Series J ordinary bearer shares of the Company marked by the National Depository for Securities (the 'NDS') with the code PLCFRPT00021 shall be listed on the main market of the WSE as of April 20, 2015 through an ordinary listing process. Moreover, in its Resolution No. 233/15 of April 16, 2015 the Management Board of the NDS decided to assimilate, as of April 20, 2015, 243,932,490 Series J ordinary bearer shares of the Company marked with code PLCFRPT00021 with 216,196,025 shares of the Company marked with code PLCFRPT00013. The assimilated shares were awarded the code PLCFRPT00013.

Series J shares were admitted to trading on the WSE after the rights related to the Series J shares were made uniform with the shares already listed on the WSE, which took place on April 2, 2015 as a result of adoption by the General Meeting of the Company of a resolution regarding the distribution of 2014 net profits. Currently, 460,128,515 ordinary bearer shares of the Company are admitted to trading on the regulated market.

Decision to merge Cyfrowy Polsat and Redefine

On April 14, 2015, the Management Board of the Company decided to merge Cyfrowy Polsat and Redefine, in which the Company holds 100% of the share capital and approved the merger plan. The merger will be effected by transferring to the Company all the assets of Redefine and termination of Redefine without liquidation.

As a result of the merger, Cyfrowy Polsat will assume all rights and obligations of Redefine, effective on the date of the merger. Given that the Company holds all the shares of Redefine, the merger will be effected without increasing the share capital of the Company. The aim of the planned merger is to optimize costs and simplify the organizational structure of the Group in line with our long-term strategy. The detailed terms of the merger are specified in the Merger Plan prepared on April 14, 2015 and published on the websites of Cyfrowy Polsat and Redefine.

The Management Board of the Company convened an Extraordinary General Meeting for May 18, 2015, which will make a decision regarding the merger of Cyfrowy Polsat and Redefine.

Transfer of intellectual property rights and issue of intra-group bonds

On April 30, 2015 subsidiaries of the Company - Plus TM Group S.K.A and Plus TM Management - concluded an agreement of sale of intellectual property rights. Under this agreement, Plus TM Group S.K.A sold and Plus TM Management purchased rights to certain trademarks and an industrial sign valued at PLN 1,150.0 million.

Furthermore, on April 30, 2015, Plus TM Management issued in favor of Plus TM Group S.K.A, and Plus TM Group S.K.A acquired 59 registered bonds with the total value of PLN 1,150.0 million and maturity date on December 31, 2025, comprising:

- 15 registered, series 1/2015 bonds with the nominal value of PLN 50.0 million each and the total value of PLN 750.0 million;
- 14 registered, series 2/2015 bonds with the nominal value of PLN 20.0 million each and the total value of PLN 280.0 million;
- 10 registered, series 3/2015 bonds with the nominal value of PLN 10.0 million each and the total value of PLN 100.0 million;
- 20 registered, series 4/2015 bonds with the nominal value of PLN 1.0 million each and the total value of PLN 20.0 million.

Funds raised from the issue of the Bonds were dedicated by Plus TM Management to settle the price of purchase of the intellectual property rights in favor of Plus TM Group S.K.A.

Concurrently, in connection with the PLK Senior Facilities Agreement concluded on June 17, 2013 and the PLK Senior Notes Indenture concluded on January 26, 2012, on April 30, 2015, a Bonds Pledge Agreement was concluded between an indirect subsidiary of the Company – Plus TM Group S.K.A and Citicorp Trustee Company Limited based on which a pledge was established in favor of Citicorp, acting as security agent of the PLK SFA, over 59 registered, unsecured bonds with the total value of PLN 1,150.0.

3.2. Business related events

Acquisition of Radio PIN S.A.

On February 27, 2015, Telewizja Polsat Sp. z o.o. acquired 100% shares in Radio PIN S.A. for the price of PLN 4.2 million. Radio PIN S.A. is the broadcaster of the radio station Muzo.fm.

Purchase of data transmission services by Polkomtel

As a result of negotiations with companies belonging to Midas Group, initialized in November 2014, on March 3, 2015 a memorandum of understanding was concluded between Polkomtel and Mobyland under the agreement on the provision of wholesale telecommunications services concluded between Mobyland and Polkomtel on March 9, 2012. The memorandum determines new terms of cooperation in the scope of telecommunication services related to data transmission, in particular:

- a new unit price per 1 GB in relation to telecommunication services related to data transmission in the net amount of PLN 2.40 (two zloty forty groszy);
- the new price will be applicable to both newly ordered data packages as well as unused data packages already partially paid for under previous orders;
- the new terms of cooperation will be effective as of January 1, 2015 and the placed order for data transmission will be valid for a period of 4 years;
- that in the event when Mobyland introduces services based on other own frequencies or frequencies to which it acquires usage rights, Mobyland will extend the scope of services related to data transmission provided to Polkomtel.

Pursuant to the new memorandum, on March 3, 2015 Polkomtel placed order no. 4 with Mobyland for the purchase of a data package of 1,571.68 million GB. The parties agreed that aside from the newly ordered data package, order no. 4 will also include the data package unused but already partially paid for by Polkomtel as at December 31, 2014 under order no. 3 placed on March 27, 2014. The unused data package will be recalculated in accordance with the new price of PLN 2.40 net per 1GB.

The total value of order no. 4 amounts to PLN 3,772.04 million net and the surplus payments made for order no. 3, in relation to the actual usage, in the amount of PLN 144.56 million shall be credited towards payments for order no. 4. Payments for order no. 4 will be made in favor of Mobyland according to the following schedule:

- PLN 119.25 million, net – for the first quarter of 2015 in three equal monthly installments,
- PLN 132.00 million, net – for the second quarter of 2015 in three equal monthly installments,
- PLN 245.00 million, net – for the third quarter of 2015 in three equal monthly installments,
- PLN 354.00 million, net – for the fourth quarter of 2015 in three equal monthly installments,
- PLN 989.31 million, net – for the year 2016 in twelve equal monthly installments,
- PLN 880.00 million, net – for the year 2017 in twelve equal monthly installments, and
- PLN 907.92 million, net – for the year 2018 in twelve equal monthly installments.

Purchase of data transmission services by the Company

A as a result of negotiations with companies belonging to Midas Group, initialized in November 2014, on March 3, 2015 a memorandum of understanding was concluded between the Company and Polkomtel under the framework agreement on the provision of wholesale data transmission services of March 27, 2014. The memorandum determines new terms of cooperation in the scope of telecommunication services related to data transmission, in particular:

- a new unit price per 1 GB in relation to telecommunication services related to data transmission in the net amount of PLN 2.40 (two zloty forty groszy);
- the new price will be applicable to both newly ordered data packages as well as unused data packages already partially paid for under previous orders;
- the new terms of cooperation will be effective as of January 1, 2015 and the placed order for data transmission will be valid for a period of 4 years;
- that in the event when Mobyland introduces services based on other own frequencies or frequencies to which it acquires usage rights, Mobyland will extend the scope of services related to data transmission provided to Polkomtel.

Concurrently, on March 3, 2015 the Company placed order No. 2 with Polkomtel under the framework agreement on the provision of wholesale data transmission services of March 27, 2014 for the purchase of a data package of 600.91 million GB. The parties agreed that aside from the newly ordered data package, order No. 2 will also include the data package unused but already partially paid for by Cyfrowy Polsat as at December 31, 2014, purchased under order No. 1 of March 27, 2014. The unused data package will be recalculated in accordance with the new price of PLN 2.40 net per 1GB.

The total value of order No. 2 amounts to PLN 1,442.19 million net and the surplus payments made for the previous order placed by the Company with Polkomtel, in relation to the actual usage, in the amount of PLN 19.63 million shall be credited towards payments for order No. 2. Payments for the order will be made in favor of Polkomtel according to the following schedule:

- PLN 48.82 million, net – for the first quarter of 2015 in three equal monthly installments,
- PLN 53.94 million, net – for the second quarter of 2015 in three equal monthly installments,
- PLN 98.17 million, net – for the third quarter of 2015 in three equal monthly installments,
- PLN 140.14 million, net – for the fourth quarter of 2015 in three equal monthly installments,
- PLN 385.48 million, net – for the year 2016 in twelve equal monthly installments,
- PLN 342.78 million, net – for the year 2017 in twelve equal monthly installments, and

- PLN 353.23 million, net – for the year 2018 in twelve equal monthly installments.

Decision to discontinue active participation in the auction for the spectrum from the 800 MHz band

On November 24, 2014, Polkomtel submitted an initial bid in the auction for frequency licenses in the 791-816 MHz and 832-857 MHz bands, and the 2500-2570 MHz and 2620-2690 MHz bands, each on the territory of the entire country, allocated for the provision of telecommunications services in the mobile or fixed radio-communication service ('LTE Auction'), announced by the President of the Office of Electronic Communications in accordance with the auction documentation at the seat of the Office of Electronic Communications on October 10, 2014.

On March 10, 2015, Polkomtel made a decision to discontinue its participation in active bidding for the spectrum blocks from the 800 MHz band and switched to the so-called passive approach.

Extension of LTE network coverage

We provide telecommunication services in LTE technology based, among others, on the network infrastructure of Midas Group. On March 3, 2015, Midas Group informed that under an agreement concluded with Sferia S.A. it gained access to a telecommunication network enabling the provision of services in LTE technology based on the 800 MHz frequency band. Moreover, Midas Group invited potential holders of frequencies in the 800 MHz band – in particular Hubb Investments Sp. z o.o., NetNet Sp. z o.o. and P4 – to cooperate in the construction of a joint LTE 800 network.

In line with the provisions of the agreements concluded between Midas Group and Polsat Group, if companies belonging to Midas Group introduce services based on other own frequencies or frequencies to which they acquire usage rights, Midas Group will extend the scope of services related to data transmission provided to Polsat Group. On March 24, 2015, Midas Group launched the first in Poland commercial LTE 800 network. Following the completion of the first phase of the roll-out of the LTE 800 network, including over 1000 locations, as of the end of March 2015 over 90% of Poles live within the coverage of LTE Internet service offered by Plus and Cyfrowy Polsat. Midas Group announced that, bearing in mind the optimal coverage, the roll-out of the LTE 800 network may consist in the construction of over 5000 stations in total.

Acquisition of Teleaudio Dwa and Interphone Service

On April 1, 2015, Polsat Group acquired 100% shares of Orsen Holding Limited for the amount of PLN 35.0 million. Consequently, the companies Teleaudio Dwa Sp. z o.o. S.K.A. and InterPhone Service Sp. z o.o. have joined Polsat Group.

Teleaudio Dwa is a leading company in the telecommunications and IT industry, specializing in the provision of premium rate services based on SMS/IVR/MMS/WAP technologies. The company's operations are based on a proprietary, modern and systematically developed IT platform dedicated to support even the most advanced projects. Teleaudio Dwa is one of the leading providers of value added services in Poland. Thanks to Teleaudio Dwa we will be able to develop modern sales and customer service channels which meet the expectations of our customers, thus increasing the competitiveness of our Group and the satisfaction of our customers regarding services provided by us.

Interphone Service owns a factory equipped with a modern machinery stock which produces telecommunications equipment designed for data transmission, also in the LTE technology, as well as low-line electronic equipment, such as set-top boxes. It is located in EURO-PARK MIELEC Special Economic Zone. The purchase of the factory will allow us to improve the efficiency of our set-top box production process at lower production costs and to develop new production lines.

Acquisition of sports rights

In January 2015, TV Polsat acquired broadcasting rights to the most prestigious rallies with the participation of the best drivers i.e. the World Rally Championship (WRC) for the two coming seasons. The event will be broadcast by Polsat Sport Extra.

Moreover, in the first quarter of 2015, TV Polsat acquired exclusive broadcasting rights to the 2015 and 2017 men's and women's European Volleyball Championships on all fields of exploitation - television, Internet and mobile networks.

In March 2015, TV Polsat acquired rights to broadcast a new sport event – the European Olympic Games, which will be held in Azerbaijan on June 12-28 of this year under the auspices of the European Olympic Committee.

Order of network sharing services placed by Midas Group with Polkomtel

On March 30, 2012, Aero2 Sp. z o.o., belonging to Midas Group, and Polkomtel executed an agreement whereby they undertook to cooperate in the provision of services using their telecommunications infrastructures. The agreement defines the terms of cooperation between Polkomtel and Aero2 with respect to the development, shared use and maintenance of the telecommunications infrastructure of both companies for the purposes of their telecommunications operations, and the mutual provision of services by the parties on the basis of their telecommunications infrastructures and frequencies held by Polkomtel and Midas Group.

The agreement related to network sharing enables both companies to reduce telecommunications infrastructure maintenance costs, to further technology optimization, and to improve the quality of the telecommunications services provided by the companies.

Under the abovementioned agreement, on April 22, 2015, Polkomtel accepted two consecutive orders placed by Aero2 for the purchase of SITE services and SITE transmission services provided by Polkomtel in favor of Aero2. SITE services consist in the lease to the other party of base station space for the installation of transceiver equipment, in particular any equipment supporting LTE or HSPA+ technologies. SITE transmission services consist in the transmission of traffic of the party using the service from its base station to its core network.

4. Operating and financial review of Polsat Group

4.1. Operating review of the Group

In connection with the consolidation of the results of Metelem Holding Company Limited, 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-month period ended March 31, 2014 have been prepared for information purposes only 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 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 March 31		change / %
	2015	2014	
Total number of RGUs (contract + prepaid)	**16,429,469**	**16,333,003**	**0.6%**
CONTRACT SERVICES			
Total number of RGUs, including:	**12,394,712**	**11,982,678**	**3.4%**
Pay TV, including:	4,405,464	4,236,986	4.0%
Multiroom	*872,628*	*749,319*	*16.5%*
Mobile telephony	6,552,365	6,713,629	-2.4%
Internet	1,436,883	1,032,063	39.2%
Number of customers	**6,068,839**	**6,260,662**	**-3.1%**
ARPU per customer [PLN]	85.8	84.8	1.2%
Churn per customer	9.5%	9.1%	0.4 p.p.
RGU saturation per one customer	2.04	1.91	6.8%
Average number of RGUs, including:	**12,376,603**	**11,986,199**	**3.3%**
Pay TV, including:	4,403,541	4,227,450	4.2%
Multiroom	*860,827*	*736,315*	*16.9%*
Mobile telephony	6,570,344	6,749,396	-2.7%
Internet	1,402,718	1,009,353	39.0%
Average number of customers	**6,105,250**	**6,274,951**	**-2.7%**
PREPAID SERVICES			
Total number of RGUs, including:	**4,034,757**	**4,350,325**	**-7.3%**
Pay TV	66,163	81,619	-18.9%
Mobile telephony	3,775,976	4,042,605	-6.6%
Internet	192,618	226,101	-14.8%
ARPU per total prepaid RGU [PLN]	17.3	16.5	4.8%

	for the 3 month period ended March 31		change / %
	2015	2014	
Average number of RGUs, including:	**4,068,646**	**4,398,037**	**-7.5%**
Pay TV	67,972	77,779	-12.6%
Mobile telephony	3,797,423	4,091,609	-7.2%
Internet	203,251	228,650	-11.1%
TELEVISION			
Audience share	23.97%	22.50%	6.5%
Advertising market share	25.3%	24.6%	2.7%

4.1.1. Segment of services to individual and business customers

As at March 31, 2015, in the segment of services to individual and business customers, our Group provided a total of 16,429,469 active services, both in the contract and prepaid models, which constitutes an increase of 0.6% compared to 16,333,003 active services provided as at March 31, 2014. This change was due to the growing number of provided Internet access services and a higher number of provided pay TV services (including Multiroom).

As at March 31, 2015, the share of contract services in the total number of provided services was 75.4% and grew by 2.0 percentage points compared to 73.4% as at March 31, 2014.

Contract services

As at March 31, 2015, we provided contract services to a total of 6,068,839 customers, i.e. 3.1% less compared to the number of customers, which the Group would have had as at March 31, 2014, if Polkomtel had been part of the Group at the time. The main drivers behind this decrease are the merging of contracts under one common contract for the household and an outflow of customers of mobile voice services.

The number of active contract services provided by us increased by 412,034, that is 3.4%, to 12,394,712 as at March 31, 2015 from 11,982,678 as at March 31, 2014. This change is primarily the effect of an increase of the number of broadband Internet access services by 39.2% due to our strategy of actively promoting sales of services provided in the LTE/HSPA+ technologies, i.a. by actively expanding LTE coverage, and the dynamically growing number of Internet users in Poland. The total number of pay TV services provided in the contract model increased by 4.0% in the first quarter of 2015 to 4,405,464 as at March 31, 2015 from 4,236,986 as at March 31, 2014 due to a significant increase in the number of Multiroom services provided. Concurrently, the number of provided mobile telephony services decreased from 6,713,629 as at March 31, 2014 to 6,552,365 as at March 31, 2015 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 as well as the loyalty of our customers in the future.

In the first quarter of 2015 ARPU per customer was equal to PLN 85.8 and increased by PLN 1.0, i.e. by 1.2%, from PLN 84.8 in the corresponding period of 2014. We conduct active cross-selling activities to the joined customer bases of Cyfrowy Polsat and Polkomtel within the scope of our integrated offer smartDOM, which has a positive effect on ARPU.

Thanks to our efficient customer retention programs, our churn rate was equal to 9.5% in the twelve-month period ended March 31, 2015 compared to 9.1% in the twelve-month period ended March 31, 2014.

As at March 31, 2015, each customer from our base had 2.04 active contract services, which constitutes an increase of 6.8% compared to 1.91 active contract services per customer as at March 31, 2014. 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 first quarter of 2015 707 thousand customers joined the program and bought a total of 2.17 million RGUs. The rate of cross-sales of products under the smartDOM program remains at a stable, high level. In the first quarter of 2015 the number of RGUs provided within the smartDOM program increased by ca. 319 thousand. RGU saturation per one customer in this group was 3.1 as at March

31, 2015. 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.

Prepaid services

The number of prepaid services provided by us as at March 31, 2015 decreased by 315,568, that is 7.3%, to 4,034,757 from 4,350,325 as at March 31, 2014 due to a decrease in the number of provided prepaid mobile telephony services. In the first quarter of 2015 the prepaid RGU base remained under the influence of seasonal effects, as well as a gradual migration of customers of prepaid tariffs towards contract tariffs.

ARPU per prepaid RGU amounted to PLN 17.3 in the first quarter of 2015, which constitutes an increase of 4.8% compared to PLN 16.5 in the corresponding period of 2014. The driver behind ARPU growth was a dynamic increase in data consumption on smartphones, combined with stable prices in this market segment.

4.1.2. Television broadcasting and production segment

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

Audience shares

	3 months ended March 31		change [%]
	2015	2014	
Audience share(1) (2), including:	**23.97%**	**22.50%**	***6.53%***
POLSAT (main channel)	***13.44%***	***13.20%***	***1.82%***
Thematic channels(2)	***10.52%***	***9.3%***	***13.12%***
Polsat2	1.42%	1.56%	*-8.97%*
Polsat News	0.73%	0.96%	*-23.96%*
Polsat Sport	0.35%	0.42%	*-16.67%*
Polsat Sport Extra	0.09%	0.12%	*-25.00%*
Polsat Sport News	0.28%	0.25%	*12.00%*
Polsat Film	0.74%	0.61%	*21.31%*
Polsat JimJam	0.17%	0.24%	*-29.17%*
Polsat Cafe	0.39%	0.41%	*-4.88%*
Polsat Play	0.70%	0.60%	*16.67%*
CI Polsat	0.10%	0.09%	*11.11%*
Polsat News 2 (3)	0.08%	0.06%	*33.33%*
Polsat Food	0.08%	0.08%	*0.00%*
Polsat Viasat Explore(4)	0.06%	0.06%	*0.00%*
Polsat Viasat History	0.11%	0.13%	*-15.38%*
Polsat Viasat Nature	0.03%	0.03%	*0.00%*
Polsat Romans	0.15%	0.13%	*15.38%*
Disco Polo Music(5)	0.23%	--	--
TV4	3.38%	2.54%	*33.07%*
TV6	1.42%	1.01%	*40.59%*
Muzo.tv(6)	0.02%	--	--
Advertising market share(7)	**25.3%**	**24.6%**	***2.7%***

1) Nielsen Audience Measurement, All day ages 16-49 audience share.
2) 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.
3) Until February 2013 the channel operated under "TV Biznes", until June 9, 2014 as "Polsat Biznes", currently as "Polsat News 2".
4) Until April 29, 2014 the channel operated under "Polsat Viasat Explorer".
5) Channel broadcast since May 2014, data for the period of broadcasting.
6) Channel launched on September 26, 2014, data for the period of broadcasting.
7) Our estimates based on Starlink data.

In the first quarter of 2015 viewers were attracted by the fixed slots on our main channel's schedule, such as Monday's cycle Mega Hit, that gathered on average 1.2 million viewers, which translated into a 19.14% audience share, as well as the series *First Love*, which gathered an average of 1.06 million viewers (21.9% audience share).

The film slots introduced together with our spring programming schedule are worth notice. This includes Tuesday's Mega Hit viewed by 1.05 million viewers on average with a 16.17% audience share and Thursday's 8 p.m. slot with 1.08 million viewers and a 16.91% audience share. The news program broadcast at 6.50 p.m. - *Wydarzenia* (Events) - maintained high viewership results with 1.11 million viewers and a 20.39% audience share.

The results of the first quarter of 2015 were significantly influenced by programs from the spring scheduling. A large audience was gathered by the show *Must be the Music. Tylko Muzyka,* which attracted an average of 1.15 million viewers (15.55% audience share). Another position in our spring scheduling, *Dancing with the Stars*, gathered on average 0.93 million viewers and had an 15.17% 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, 1.06 million viewers with an audience share of 20.39%. We introduced a new show - *Celebrity Splash* - in the spring scheduling. The show had an average of 0.94 million viewers thus giving it a 14.68% audience share. The viewership results of the programs *Hell's Kitchen* and *Top Chef* are worth mentioning. The first gathered an average of 1.06 million viewers and a 16,38% audience share while the latter had 0,94 million viewers and a 14.55% audience share.

The qualifying match of the UEFA European Championships in football between Poland and Ireland gathered a significant audience. On average the event had 2.84 million viewers on the Polsat channel and gained a 36.94% audience share. The simultaneous broadcast of the match on the channel Polsat Sport gathered 0.45 million viewers, translating into a 5.93% audience share.

A popular scheduling position was the concert *Jubileusz 25-lecia RMF FM (*25th Anniversary of RMF FM), with 1.2 million viewers and a 19.31% audience share. The cabaret *Sex, alkohol i książki* (Sex, alcohol and books) gathered 1.1 million viewers, gaining an audience share of 18.34%.

We continue to observe the positive effect of introducing the channels TV4 and TV6 to TV Polsat Group. These channels maintain a high rate of growth of viewership and they have a significant effect on the overall audience share of our thematic channels. Apart from the abovementioned channels, Polsat Film and Polsat News 2 recorded a high dynamic of growth in terms of audience shares in the first quarter of 2015 compared to the corresponding period of 2014.

Distribution and technical reach

Technical reach(1)	3 months ended March 31		*Change / %*
	2015	2014	
Polsat	99.9%	99.8%	*0.1%*
Polsat2	61.8%	64.6%	*-4.3%*
Polsat News	55.5%	55.4%	*0.2%*
Polsat Sport	47.9%	50.3%	*-4.8%*
Polsat Sport Extra	34.6%	35.4%	*-2.3%*
Polsat Sport News	93.3%	88.4%	*5.5%*
Polsat Film	50.1%	50.8%	*-1.4%*
Polsat JimJam	43.1%	42.1%	*2.4%*
Polsat Cafe	53.8%	54.5%	*-1.3%*
Polsat Play	46.8%	46.6%	*0.4%*
CI Polsat	37.4%	37.5%	*-0.3%*
Polsat News 2(2)	54.0%	55.4%	*-2.5%*
Polsat Food	20.1%	21.4%	*-6.1%*
Polsat Viasat Explore (3)	25.4%	25.8%	*-1.6%*
Polsat Viasat History	33.4%	36.3%	*-8.0%*
Polsat Viasat Nature	25.5%	24.0%	*6.3%*
Polsat Romans	42.8%	36.6%	*16.9%*
Disco Polo Music (4)	44.2%	--	--

Technical reach[1]	3 months ended March 31		Change / %
	2015	2014	
TV4	99.8%	99.5%	*0.3%*
TV6	92.9%	89.1%	*4.3%*
MUZO.TV[5]	38.1%	--	--

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) Until April 29, 2014 the channel operated under "Polsat Viasat Explorer".
4) Channel broadcast since May 2014, data for the period of broadcasting.
5) Channel launched on September 26, 2014.

Thematic channels of Polsat Group are currently available on all significant cable and satellite platforms. Comparing data for the first quarter of 2015 with corresponding period of 2014, the highest growth in technical reach was recorded by Polsat Romans. The dynamics of the channels: Polsat Viasat Nature, TV6 and Polsat Sport News are worth emphasizing. New channels, broadcasting under a year, include Disco Polo Music (launched on May 1, 2014) and MUZO.TV, broadcast since September 26, 2014.

Advertising and sponsoring market share

According to Starlink media house estimates, expenditures on TV advertising and sponsoring in the first quarter of 2015 amounted to about PLN 873 million and increased year-on-year by 3.7%. Based on these data, we estimate that in the first quarter of 2015 our TV advertising market share increased year-on-year to 25.3% from 24.6%.

If we compare the current portfolio of Polsat Group's channels, we generated 10.76% more GRPs in the first quarter of 2015 compared to the corresponding period of 2014.

4.2. Key positions in the consolidated income statement

Following the acquisition of Metelem Holding Company Limited on May 7, 2014, the consolidated financial statements of Polsat 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 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.

Revenue

Revenue is derived from (i) retail revenue, (ii) wholesale revenue, (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 agreements with us.

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.

Operating costs

Operating costs consist of:

(i) content costs;
(ii) distribution, marketing, customer relation management and retention costs;
(iii) depreciation, amortization, impairment and liquidation;
(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 liquidation

Depreciation, amortization, impairment and liquidation 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);
(viii) cost of settlements with mobile network operators and interconnection charge; 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, salaries and social security contributions relating to employees directly involved in the production of TV programs, which are presented as part of the costs of internal TV production and salaries and social security contributions relating to employees directly involved in the production of IT software, which are capitalized on intangible assets) or project-specific contracts, managerial contracts, casual work 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) trademark license costs;
(viii) technical and production costs, such as costs of costumes, set design, staging services, other cost which cannot be directly attributable to production and

(ix) other costs.

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.

Gains and losses on investment activities, net

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

Finance costs

Finance costs comprise interest expense on borrowings (including bank loans and bonds), foreign exchange gains/losses on bonds, realization and valuation costs of hedging instruments and instruments not under hedge accounting related to finance activities, bank and other charges on borrowings as well as guarantee fees resulting from the indebtedness. Borrowing costs are recognized in profit or loss using the effective interest method.

4.3. Review of our financial situation

The following review of results for the 3-month period ended March 31, 2015 was prepared based on the interim condensed consolidated financial statements for the 3-month period ended March 31, 2015, prepared in accordance with International Accounting Standard 34 and internal analysis.

All financial data presented in this 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, and on February 27, 2015 we acquired shares in Radio PIN S.A., therefore our results for the 3-month period ended March 31, 2015 are not fully comparable with the results for the corresponding period of 2014. For comparability reasons, in the following comparison of results for the 3-month period ended March 31, 2015 with results for the corresponding period of 2014 we exclude, where possible, the effect of consolidation of the results of Metelem Group. However, given that the results of Radio PIN dot not have a material impact on the results of the Group, they will not be subject to elimination in the analysis of the Group's financial situation.

4.3.1. Income statement analysis

Revenue

Our total revenue increased by PLN 1,605.7, or 222.0%, to PLN 2,329.0 in the first quarter of 2015 from PLN 723.3 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, our total revenue increased by PLN 46.8, or 6.5%, to PLN 770.1 in the first quarter of 2015 from PLN 723.3 in the first quarter of 2014. Revenue grew for the reasons set forth below.

	results including Metelem Group	results excluding Metelem Group			
	for the 3-month period ended March 31, 2015	for the 3 month period ended March 31		change	
		2015	2014	[mPLN]	[%]
Retail revenue	1,637.2	486.2	467.8	18.4	3.9%
Wholesale revenue	553.3	259.5	242.2	17.3	7.1%
Sale of equipment	118.4	13.9	7.9	6.0	75.9%
Other revenue	20.1	10.5	5.4	5.1	94.4%
Revenue	**2,329.0**	**770.1**	**723.3**	**46.8**	**6.5%**

Retail revenue

Retail revenue increased by PLN 1,169.4, or 250.0%, to PLN 1,637.2 in the first quarter of 2015 from PLN 467.8 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, retail revenue increased by PLN 18.4, or 3.9%, to PLN 486.2 in the first quarter of 2015 from PLN 467.8 in the first quarter of 2014. 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 related primarily to the increasing popularity of the Multiroom service.

Wholesale revenue

Wholesale revenue increased by PLN 311.1, or 128.4%, to PLN 553.3 in the first quarter of 2015 from PLN 242.2 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, wholesale revenue increased by PLN 17.3, or 7.1%, to PLN 259.5 in the first quarter of 2015 from PLN 242.2 in the first quarter of 2014. This increase is primarily due to higher revenue from advertising and sponsorship generated by TV Polsat Group on both the main channel and thematic channels.

Sale of equipment

Revenue from the sale of equipment increased by PLN 110.5, or 1,398.7%, to PLN 118.4 in the first quarter of 2015 from PLN 7.9 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, revenue from the sale of equipment increased by PLN 6.0, or 75.9%, to PLN 13.9 in the first quarter of 2015 from PLN 7.9 in the first quarter of 2014. This increase was due to increased revenue from sales of tablets, television sets and set-top boxes.

Other revenue

Other revenue increased by PLN 14.7, or 272.2%, to PLN 20.1 in the first quarter of 2015 from PLN 5.4 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, other revenue increased by PLN 5.1, or 94.4%, to PLN 10.5 in the first quarter of 2015 from PLN 5.4 in the first quarter of 2014, i.a. due to an increase in revenue from the lease of premises and equipment.

Operating costs

Our total operating costs increased by PLN 1,401.5, or 276.2%, to PLN 1,909.0 in the first quarter of 2015 from PLN 507.5 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, our total operating costs increased by PLN 72.6, or 14.3%, to PLN 580.1 in the first quarter of 2015 from PLN 507.5 in the first quarter of 2014. Operating costs grew for the reasons set forth below.

	results including Metelem Group	results excluding Metelem Group			
	for the 3-month period ended March 31, 2015	for the 3 month period ended March 31		change	
		2015	2014	[mPLN]	[%]
Content costs	235.5	229.9	210.7	19.2	9.1%
Distribution, marketing, customer relation management and retention costs	189.2	86.3	75.3	11.0	14.6%
Depreciation, amortization, impairment and liquidation	467.9	68.8	62.4	6.4	10.3%
Technical costs and cost of settlements with telecommunication operators	482.3	93.9	71.4	22.5	31.5%
Salaries and employee-related costs	129.1	46.5	44.7	1.8	4.0%
Cost of equipment sold	332.5	19.9	10.3	9.6	93.2%
Cost of debt collection services and bad debt allowance and receivables written off	18.7	9.2	6.7	2.5	37.3%
Other costs	53.8	25.6	26.0	(0.4)	(1.5%)
Operating costs	**1,909.0**	**580.1**	**507.5**	**72.6**	**14.3%**

Content costs

Content costs increased by PLN 24.8, or 11.8%, to PLN 235.5 in the first quarter of 2015 from PLN 210.7 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, content costs increased by PLN 19.2, or 9.1%, to PLN 229.9 in the first quarter of 2015 from PLN 210.7 in the first quarter of 2014. This increase is due to higher internal TV production costs resulting from the enhancement of our scheduling both on the main channel and on thematic channels, as well as the exploitation of new sport licenses, including those relating to Qualifiers to the UEFA European Football Championship France 2016 and higher costs of programming licenses resulting partially from a higher number of purchased premium pay TV packages, which should increase customer satisfaction in the future and partially due to the weakening of the PLN versus the USD.

Distribution, marketing, customer relation management and retention costs

Distribution, marketing, customer relation management and retention costs increased by PLN 113.9, or 151.3%, to PLN 189.2 in the first quarter of 2015 from PLN 75.3 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, distribution, marketing, customer relation management and retention costs increased by PLN 11.0, or 14.6%, to PLN 86.3 in the first quarter of 2015 from PLN 75.3 in the first quarter of 2014, mainly due to marketing actions related to customer acquisition in the smartDOM program.

Depreciation, amortization, impairment and liquidation

Depreciation, amortization, impairment and liquidation costs increased by PLN 405.5, or 649.8%, to PLN 467.9 in the first quarter of 2015 from PLN 62.4 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, depreciation, amortization, impairment and liquidation costs increased by PLN 6.4, or 10.3%, to PLN 68.8 in the first quarter of 2015 from PLN 62.4 in the first quarter of 2014, i.a. due to the migration of our satellite platform customers to the MPEG4 technology.

Technical costs and cost of settlements with telecommunication operators

Technical costs and cost of settlements with mobile network operators increased by PLN 410.9, or 575.5%, to PLN 482.3 in the first quarter of 2015 from PLN 71.4 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, technical costs and cost of settlements increased by PLN 22.5, or 31.5%, to PLN 93.9 the first quarter of 2015 from PLN 71.4 in the first quarter of 2014. 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 84.4, or 188.8%, to PLN 129.1 in the first quarter of 2015 from PLN 44.7 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, salaries and employee related costs increased by PLN 1.8, or 4.0%, to PLN 46.5 in the first quarter of 2015 from PLN 44.7 in the first quarter of 2014, as a result of higher average employment at Polsat Group related to the organic growth of business.

Cost of equipment sold

Cost of equipment sold increased by PLN 322.2, or 3,128.2%, to PLN 332.5 in the first quarter of 2015 from PLN 10.3 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, the cost of equipment sold increased by PLN 9.6, or 93.2%, to PLN 19.9 in the first quarter of 2015 from PLN 10.3 in the first quarter of 2014. This increase is mainly due to the sales of TV sets in the first quarter of 2015 (there were no sales of TV sets in the compared period), as well as dynamically growing sales of tablets and modems 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 12.0, or 179.1%, to PLN 18.7 in the first quarter of 2015 from PLN 6.7 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, the cost of debt collection services and bad debt allowance and receivables written off increased by PLN 2.5, or 37.3%, to PLN 9.2 in the first quarter of 2015 from PLN 6.7 in the first quarter of 2014.

Other costs

Other costs increased by PLN 27.8, or 106.9%, to PLN 53.8 in the first quarter of 2015 from PLN 26.0 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, in the first quarter of 2015 other costs remained at a practically unchanged level compared to the corresponding period of 2014 and amounted to PLN 25.6.

Other operating income and costs, net

Other net operating income increased by PLN 5.1, or 141.7%, to PLN 8.7 in the first quarter of 2015 from PLN 3.6 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, in the first quarter of 2015 other net operating income amounted to PLN 2.7, which constitutes a decrease of PLN 0.9, or 25.0% compared to other operating income net in the amount of PLN 3.6 in the first quarter of 2014.

Gains/(losses) on investment activities, net

Net gains on investment activities increased by PLN 27.6, or 2,123.1%, to PLN 28.9 in the first quarter of 2015 from PLN 1.3 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, net losses on investment activities amounted to PLN 6.1 in the first quarter of 2015 compared to net gains from investment activities equal to PLN 1.3 in the first quarter of 2014, mainly due to the recognition of higher foreign exchange costs in the first quarter of 2015 than in the corresponding period of 2014.

Finance costs

Finance costs amounted to PLN 261.3 in the first quarter of 2015 and increased by PLN 152.5, or 140.2%, compared to PLN 108.8 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group, finance costs decreased by PLN 84.6, or 77.8%, to PLN 24.2 in the first quarter of 2015 from PLN 108.8 in the first quarter of 2014. This decrease is the net effect of: (i) the lack in the first quarter of 2015 of interest costs on Senior Notes and foreign exchange costs on the valuation of Senior Notes due to their redemption in May 2014, (ii) higher interest costs related to the Term Loan and Revolving Facility Loan under the Senior Facilities Agreement concluded in April 2014; and (iii) the lack of 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.

Net profit

Net profit increased by PLN 72.6, or 73.9%, to PLN 170.8 in the first quarter of 2015 from PLN 98.2 in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group net profit increased by PLN 39.7, or 40.4%, to PLN 137.9 in the first quarter of 2015 from PLN 98.2 in the first quarter of 2014.

EBITDA & EBITDA margin

EBITDA increased by PLN 641,8, or 218.2%, to PLN 896.6 in the first quarter of 2015 from PLN 281.8 in the first quarter of 2014. EBITDA margin decreased to 38.5% in the first quarter of 2015 from 39.0% in the first quarter of 2014.

Excluding the effect of consolidation of the results of Metelem Group EBITDA decreased by PLN 20.3, or 7.2%, to PLN 261.5 in the first quarter of 2015 from PLN 281.8 in the first quarter of 2014. EBITDA margin decreased to 34.0% in the first quarter of 2015 from 39.0% in the first quarter of 2014.

Employment

The average employment of permanent workers not engaged in production in Polsat Group, excluding workers who did not perform work in the reporting period due to long-term absences, was 5,076 full-time equivalents in the first quarter of 2015, as compared to 1,468 full-time equivalents in the corresponding period of 2014. The increase in employment in the first quarter of 2015 was mainly due to the acquisition of Metelem and its subsidiaries, Polkomtel in particular.

4.3.2. 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, the Internet access services, the mobile TV services, the online TV services and production of set-top boxes,
- broadcasting and television production segment.

The Group conducts its operating activities primarily in Poland.

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

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 liquidation. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2015:

3 months ended March 31, 2015 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,081.4	247.6	-	2,329.0
Inter-segment revenues	8.2	35.4	(43.6)	-
Revenues	**2,089.6**	**283.0**	**(43.6)**	2,329.0
EBITDA (unaudited)	**796.3**	**100.3**	**-**	**896.6**
Depreciation, amortization, impairment and liquidation	458.3	9.6	-	467.9
Profit/(loss) from operating activities	**338.0**	**90.7**	**-**	**428.7**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	196.2*	4.5	-	200.7
Balance as at March 31, 2015 (unaudited)				
Assets, including:	22,983.5	4,191.9**	(86.5)	**27,088.9**
Investments in joint venture	-	3.7	-	3.7

* 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 66.2.

All material revenues are generated in Poland.

It should be noted that the 3 months ended 31 March 2015 is not comparable to the 3 months ended 31 March 2014 as Metelem Holding Company Limited was acquired on 7 May 2014 (allocated to the Services to individual and business customers segment) and Radio PIN was acquired on 27 February 2015 (allocated to the Broadcasting and television production segment).

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

3 months ended March 31, 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	484.5	238.8	-	723.3
Inter-segment revenues	6.5	26.9	(33.4)	-
Revenues	**491.0**	**265.7**	**(33.4)**	**723.3**
EBITDA (unaudited)	**181.1**	**100.7**	**-**	**281.8**
Depreciation, amortization, impairment and liquidation	53.3	8.4	0.7	62.4
Profit/(loss) from operating activities	**127.8**	**92.3**	**(0.7)**	**219.4**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	61.6*	8.8	-	70.4
Balance as at March 31, 2014 (unaudited)				
Assets, including:	1,712.5	4,183.0**	(44.3)	5,851.2
Investments in joint venture	-	1.2	-	1.2

*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 3-month period ended	
	March 31, 2015 unaudited	March 31, 2014 unaudited
EBITDA (unaudited)	**896.6**	**281.8**
Depreciation, amortization, impairment and liquidation	(467.9)	(62.4)
Profit from operating activities	**428.7**	**219.4**
Other foreign exchange rate differences, net	30.6	(0.6)
Interest income	11.3	2.2
Share of the profit of joint ventures accounted for using the equity method	0.5	0.7
Interest costs	(186.6)	(94.1)
Foreign exchange differences on issued bonds	(73.9)	(10.3)
Other	(13.8)	(4.7)
Gross profit for the period	**196.8**	**112.6**
Income tax	(26.0)	(14.4)
Net profit for the period	**170.8**	**98.2**

4.3.3. Balance sheet analysis

As at March 31, 2015 and December 31, 2014, our balance sheet amounted to PLN 27,088.9 and PLN 27,381.2 respectively.

Assets

As at March 31, 2015 and December 31, 2014, our non-current assets were PLN 23,132.0 and PLN 23,398.6, respectively, and accounted for 85.4% and 85.5% of the total assets, respectively.

As at March 31, 2015 and December 31, 2014, our current assets amounted to PLN 3,956.9 and PLN 3,982.6, respectively, and accounted for 14.6% and 14.5% of the total assets, respectively.

The value of reception equipment amounted to PLN 416.6 as at March 31, 2015 and decreased by PLN 4.5, or 1.1%, compared to PLN 421.1 as at December 31, 2014.

The value of other property, plant and equipment amounted to PLN 2,855.8 as at March 31, 2015 compared to PLN 2,961.6 as at December 31, 2014, which constitutes an decrease of PLN 105.8, or 3.6%. This change is mainly due to the recognition of the cost of amortization for the first quarter of 2015 which was partially compensated by incurred expenditures on the development of the telecommunications network and software up-date.

The value of goodwill increased by PLN 4.4 to PLN 10,831.2 as at March 31, 2015 from PLN 10,826.8 as at December 31, 2014, as a result of the acquisition of shares in Radio PIN S.A.

The value of customer relationships decreased by PLN 143.6, or 3.5%, to PLN 4,002.2 as at March 31, 2015 compared to PLN 4,145.8 as at December 31, 2014, i.a. due to the recognition of amortization. The key component of this position is the valuation of 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 March 31, 2015, the value of brands was PLN 1,783.7 and decreased due to amortization by PLN 13.4, or 0.7%, from PLN 1,797.1 as at December 31, 2014.

The value of other intangible assets amounted to PLN 2,527.5 as at March 31, 2015 which constitutes an decrease of PLN 63.9, or 2.5%, compared to PLN 2,591.4 as at December 31, 2014. The main reason behind this decrease is the amortization of telecommunication licenses, IT software and programming licenses.

The value of non-current and current programming assets increased by PLN 33.9, or 11.8%, to 321.8 as at March 31, 2015 from PLN 287.9 as at December 31, 2014. The increase was mainly due to the purchase of additional film rights and incurred internal production costs related to the expansion of our scheduling 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 5.2 as at March 31, 2015 and remained almost unchanged compared to the balance as at December 31, 2014. This position concerns investment property belonging to TV Polsat.

The value of non-current and current deferred distribution fees increased by PLN 26.7, or by 12.0%, to PLN 249.4 as at March 31, 2015 from PLN 222.7 as at December 31, 2014 mainly due to an increase in the value of deferred distribution fees in Metelem Group.

The value of other non-current assets amounted to PLN 238.0 as at March 31, 2015 and increased by PLN 39.5, or 19.9%, compared to PLN 198.5 as at December 31, 2014, mainly as a result of an increase of receivables from installment plan sales.

The value of deferred tax assets amounted to PLN 229.0 as at March 31, 2015, which constitutes a decrease of PLN 5.2, or 2.2%, compared to PLN 234.2 as at December 31, 2014.

The value of inventories was PLN 252.9 as at March 31, 2015 and decreased by PLN 48.5, or 16.1%, from PLN 301.4 as at December 31, 2014. This decrease was caused by a decrease in the stock of handsets, modems, tablets, laptops and sets of equipment in Polkomtel as well as a decrease in the stock of set-top boxes in Cyfrowy Polsat.

The value of trade and other receivables increased by PLN 146.1, or 10.1%, to PLN 1,599.5 as at March 31, 2015 from PLN 1,453.4 as at December 31, 2014, primarily due to a return deposit of PLN 187.7 paid to UKE in February 2015 in connection with Polkomtel's participation in the auction of frequencies from the 800 and 2600 MHz bands, which was partially compensated be lower trade receivables from third parties in TV Polsat Group and Metelem Polkomtel.

The value of other current assets amounted to PLN 212.9 as at March 31, 2015, which constitutes an increase of PLN 52.8, or 33.0%, compared to PLN 160.1 as at December 31, 2014, primarily due to the purchase of a data package under certain agreements with Midas Group and the accrued property tax calculated for the whole calendar year.

The value of cash and cash equivalents, restricted cash and short-term deposits decreased by PLN 213.6, or 12.2%, to PLN 1,534.3 as at March 31, 2015 from PLN 1,747.9 as at December 31, 2014, primarily due to a return deposit of PLN 187.7 paid to UKE in February 2015 in connection with Polkomtel's participation in the auction of frequencies in the 800 and 2600 MHz bands.

Equity and liabilities

Equity increased by PLN 170.3, or by 1.9%, to PLN 9,311.9 as at March 31, 2015 from PLN 9,141.6 as at December 31, 2014, primarily due to profit generated for the period ended March 31, 2015 in the amount of PLN 170.8.

As at March 31, 2015 and December 31, 2014 the value of our non-current liabilities amounted to PLN 13,627.2 and PLN 14,072.4, which constituted 76.7% and 77.2% of the Group's total liabilities, respectively.

As at March 31, 2015 and December 31, 2014 the value of our current liabilities amounted to PLN 4,149.8 and PLN 4,167.2, which constituted 23.3% and 22.8% of the Group's total liabilities, respectively.

Loans and borrowings (long and short-term) decreased by PLN 104.3 to PLN 8,901.8 as at March 31, 2015 from PLN 9,006.1, mainly due to the repayment of part of the capital with interest under the Term Loan and Revolving Facility Loan.

Senior Notes liabilities (long and short-term) decreased by PLN 82.1, or by 1.6%, to PLN 4,932.5 as at March 31, 2015 from PLN 5,014.6 as at December 31, 2014, primarily due to the repayment of interest on the PLK Senior Notes, which was partially off-set by higher valuation of the PLK Senior Notes due to the appreciation of the USD with respect to the PLN.

Finance lease liabilities (long and short-term) decreased by PLN 2.4, or 13.0%, to PLN 16.1 as at March 31, 2015 from PLN 18.5 as at December 31, 2014.

UMTS license liabilities (long and short-term) decreased by PLN 30.0, or 3.5%, to PLN 837.4 as at March 31, 2015 from PLN 867.4 as at December 31, 2014.

Deferred income tax liabilities amounted to PLN 888.6 as at March 31, 2015 and remained at a practically unchanged level compared to PLN 887.8 as at December 31, 2014.

Non-current and current deferred income decreased by PLN 12.8, or by 1.9%, to PLN 675.8 as at March 31, 2015 from PLN 688.6 as at December 31, 2014, mainly due to a decline in prepayments for services provided in the prepaid model, which was partially compensated by advance payments on subscription fees.

The value of other non-current liabilities and provisions amounted to PLN 167.4 as at March 31, 2015, which constitutes a decrease of PLN 16.8, or 9.1%, compared to PLN 184.2 as at December 31, 2014. This change was primarily due to a decrease in liabilities related to IRS/CIRS hedging instruments.

The value of trade and other payables amounted to PLN 1,333.5 as at March 31, 2015 which constitutes an decrease of PLN 189.5, or 12.4%, compared to PLN 1,523.0 as at December 31, 2014. This decrease is the net effect of lower liabilities towards third-parties and lower liabilities related to the purchase of non-current and intangible assets and higher liabilities related to the purchase of film and sports licenses as well as higher civil law liabilities in Polkomtel Group.

Income tax liabilities decreased by PLN 25.5, or 53.1%, to PLN 22.5 as at March 31, 2015 from PLN 48.0 as at December 31, 2014.

The value of short-term deposits for equipment amounted to PLN 1.4 as at March 31, 2015 and remained at an unchanged level compared to the balance as at December 31, 2014.

4.3.4. Cash flow analysis

The table below presents selected data from the consolidated cash flow statement for the 3-month periods ended March 31, 2015 and March 31, 2014. All data are expressed in millions PLN.

	data including Metelem Group for the 3-month period ended March 31		data excluding Metelem Group for the 3-month period ended March 31	
	2015	2014	2015	2014
Net cash from operating activities	417.7	169.2	191.3	169.2
Net cash used in investing activities	(208.2)	(36.6)	(22.1)	(36.6)
Net cash used in financing activities	(467.4)	(46.6)	(130.5)	(46.6)
Net increase/(decrease) in cash and cash equivalents	(257.9)	86.0	38.7	86.0

Net cash from operating activities

Net cash from operating activities amounted PLN 417.7 in the first quarter of 2015, which constitutes an increase of PLN 248.5 compared to PLN 169.2 in the first quarter of 2014.

Excluding the effect of consolidation of Metelem Group, net cash from operating activities amounted PLN 191.3 in the first quarter of 2015 and increased by PLN 22.1 compared to net cash from operating activities generated in the corresponding period of 2014. The increase in net cash from operating activities was mainly the result of higher net profit by PLN 39.7 in the first quarter of 2015, amounting to PLN 137.9, adjusted by a series of factors, the most significant being:

- lower payments for film licenses and sport broadcasting rights combined with higher amortization costs of film licenses and sport broadcasting rights;
- lower interest costs, primarily due to the lack in the first quarter of 2015 of interest costs related to the Senior Notes;
- a decrease in liabilities, provisions and deferred income in the first quarter of 2015 compared to an increase in liabilities, provisions and deferred income in the corresponding period of 2014;
- a decrease in receivables and other assets in the first quarter of 2015 compared to an increase in receivables and other assets in the corresponding period of 2014;
- a decrease in inventories in the first quarter of 2015 compared to an increase in inventories in the corresponding period of 2014;
- an increase of the net value of set-top boxes provided under operating lease;
- income from foreign exchange differences recognized in the first quarter of 2015 versus costs related to foreign exchange differences in the corresponding period of 2014, primarily due to the valuation of the Senior Notes in the first quarter of 2014;
- higher income tax and lower value of income tax paid;
- higher costs of depreciation, amortization, impairment and liquidation related to increased costs of depreciation of reception equipment leased to our customers.

Moreover, in the first quarter of 2015 the Group paid a return deposit of PLN 187.7 to UKE in connection with Polkomtel's participation in the auction of frequencies in the 800 and 2600 MHz bands.

Net cash used in investing activities

Net cash used in investing activities amounted to PLN 208.2 in the first quarter of 2015 and comprised primarily expenditures on the purchase of property, plant and equipment, as well as intangible assets in the amount of PLN 156.7.

Excluding the effect of consolidation of Metelem Group, net cash used in investing activities amounted to PLN 22.1 in the first quarter of 2015 and was lower by PLN 14.5 compared to PLN 36.6 in the first quarter of 2014. This position comprises mainly capital expenditure on the purchase of property, plant and equipment, and intangible assets in the amount of PLN 18.1.

Net cash from/(used in) finance activities

Net cash used in financing activities amounted to PLN 467.4 in the first quarter of 2015 compared to PLN 46.6 in the corresponding period of 2014, and primarily resulted from:

- the repayment of interest on loans, bonds, Cash Pool, financial leasing and paid fees;
- repayments according to schedule of the Term Loan under the Senior Facilities Agreement of 2014;
- the repayment of part of the Revolving Facility Loan.

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

In the first quarter of 2015 cash expenditures of Polsat Group on the purchase of property, plant and equipment and intangible assets increased by PLN 117.3, or 297.7%, to PLN 156.7 from PLN 39.4 in the first quarter of 2014.

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 decreased by PLN 21.3, or 54.1%, to PLN 18.1 in the first quarter of 2015 from PLN 39.4 in the corresponding period of 2014.

Cash expenditures on the purchase of property, plant and equipment and intangible assets in Polsat Group, Metelem Group included, comprised among others, the continued extension of telecommunications networks as well as the implementation of the HD-Voice technology in order to accommodate the increasing volume of data transmission and to ensure the highest quality of services expected by our customers, investments related to the development of our offer, sales and customer service process and expenditure related to the construction of the new recording studio to meet the needs of TV Polsat.

4.3.5. 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.

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.

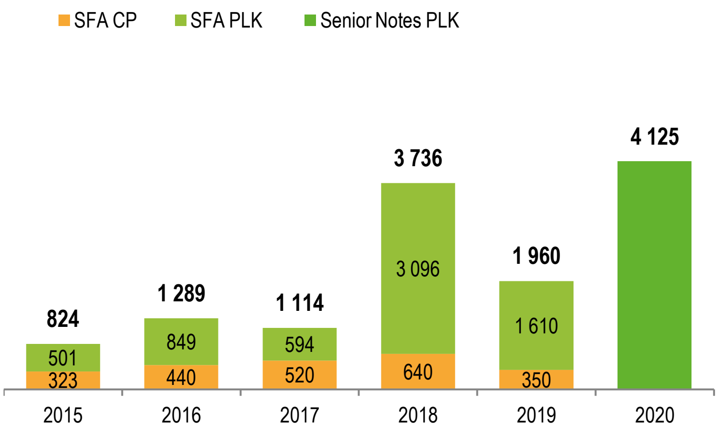
The table below presents a summary of the indebtedness of the Group as at March 31, 2015.

	Balance value [mPLN]	Nominal value [mPLN]	Coupon / interest	Maturity date
CP Term Facility (PLN)	2,237.7	2,273.0	WIBOR + margin	2019
CP Revolving Facility Loan	50.0	50.0	WIBOR + margin	2019
PLK Term Loan – Tranche A(PLN)	1,937.7	1,944.3	WIBOR + margin	2017
PLK Term Loan – Tranche B (PLN)	3,077.7	3,095.6	WIBOR + margin	2018
PLK Term Loan – Tranche C (PLN)	1,598.7	1,610.1	WIBOR + margin	2019
PLK Revolving Facility Loan	0.0	0.0	WIBOR + margin	2017
PLK Senior Notes (EUR) (1)	2,660.1	2,218.3	11.75%	2020
PLK Senior Notes (USD) (2)	2,272.4	1,906.3	11.63%	2020
Leasing	16.1	16.1	-	-
Cash and cash equivalents (3)	1,534.3	1,534.3	-	-
Net debt	**12,316.1**	**11,579.3**	-	-
EBITDA LTM, pro-forma (4)	3,672.7	3,672.7	-	-
Net debt / EBITDA 12M	**3.4**	**3.2**	-	-

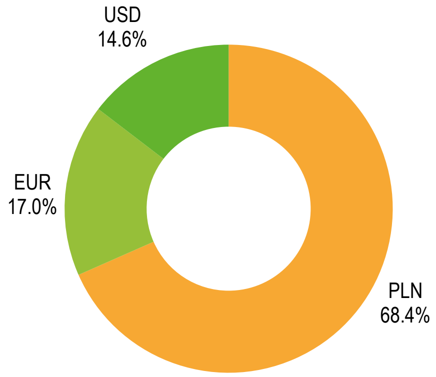
1) Equivalent of the nominal value of EUR 542.5m PLK Senior Notes calculated at the average PLN/EUR foreign exchange rate of the Polish National Bank of 4.089 as at March 31, 2015. Balance value estimated to fair value at the moment of purchase of Metelem.
2) Equivalent of the nominal value of USD 500m PLK Senior Notes calculated at the average PLN/USD foreign exchange rate of the Polish National Bank of 3.8125 as at March 31, 2015. 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 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 as at March 31, 2015, expressed in nominal values and excluding the debt under the Revolving Facility Loan.

Debt maturing profile as at March 31, 2015 [mPLN]



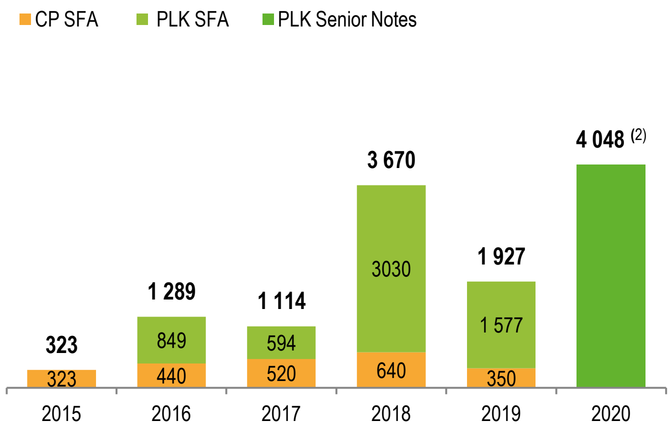
Currency composition of our debt (1) as at March 31, 2015



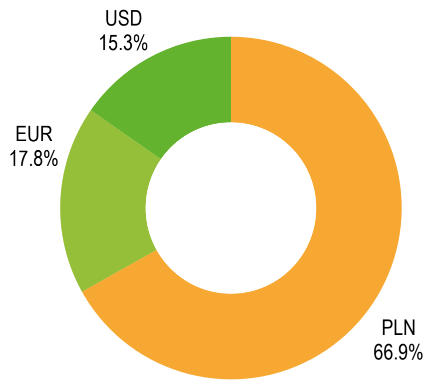
(1) Nominal value of debt, excluding the Revolving Facility Loan

The aging balance and currency composition of the debt changed after the balance date following an early prepayment of the PLK Term Loan in the amount of PLN 600.0 on April 13, 2015. The graphs below present the aging balance of the Group's debt and its currency composition as at May 12, 2015, expressed in nominal values and excluding the debt under the Revolving Facility Loan.

Debt maturing profile (1) as at May 12, 2015 [mPLN]



Currency composition of our debt (1) as at May 12, 2015



(1) Nominal value of debt, excluding the Revolving Facility Loan
(2) Equivalent of the nominal value of EUR 542.5m and USD 500m PLK Senior Notes calculated at the average foreign exchange rates of the Polish National Bank as at May 12, 2015 of PLN/EUR 4.1030 and PLN/USD 3.6447, respectively.

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 Loan up to a maximum amount of PLN 2,500.0 and a multicurrency Revolving Facility Loan up to a maximum amount of the equivalent of PLN 500.0.

The Term Loan 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 Loan 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 Loan is being 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 March 31, 2015 we used PLN 50.0 under 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 (for a detailed description of established securities see item 4.3.6. of this Report - *Information on guarantees granted by the Company or subsidiaries).*

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

- to repay 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;
- to repay the whole indebtedness arising from or referred to in the PIK Notes Indenture of February 17, 2012; and
- for the purpose of financing current operations of the Group.

The Senior Facilities Agreement provides, inter alia, for a possibility of financing of acquisitions and other distributions permitted by the Senior Facilities Agreement.

In order to limit the interest rate exposure risk associated with the Senior Facilities Agreement, on July 31, 2014 and August 1, 2014 the Company carried out an IRS (Interest Rate Swap) transaction which consisted in the conversion of payments based on a WIBOR 3M floating interest rate to a fixed interest rate in the average amount of 2.50%. The transactions were concluded with the following banks - ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Société Générale Spółka Akcyjna, Branch in Poland, Bank Zachodni WBK S.A., BNP Paribas SA and Bank Polska Kasa Opieki SA. The IRS transactions were concluded for the period from September 30, 2014 to December 31, 2016 and they hedge the total nominal value of the loan of PLN 1,136.5.

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 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.

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: the 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 March 31, 2015, 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. Polkomtel is authorized to make voluntary prepayments in the minimum amounts determined in the PLK Senior Facilities Agreement.

On April 13, 2015, Polkomtel effected an early prepayment of a part of the PLK Term Loan in the amount of PLN 600.0.

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;

(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 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 Citicorp Trustee Company Limited, acting as 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 item 4.3.6. of this Report - *Information on guarantees granted by the Company or subsidiaries).*

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.

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 an Indenture on the issue of senior notes by Eileme 2 for a total nominal amount of EUR 542.5 million and USD 500.0 million, 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 PLK Senior Notes denominated in EUR and/or 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 the PLK Senior Notes denominated in EUR and 105.813% for the PLK Senior Notes denominated in USD,

(ii) in 2017 the redemption price is 102.938% for PLK Senior Notes denominated in EUR and 102.906% for PLK Senior Notes denominated in USD and

(iii) thereafter the redemption price is 100.000% both for PLK Senior Notes denominated in EUR and PLK Senior Notes denominated in USD. Unless Eileme 2 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 Senior Notes Indenture 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 item 4.3.6. of this Report - *Information on guarantees granted by the Company or subsidiaries).*

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

Contractual obligations

Contractual commitments to purchase programming assets

As at March 31, 2015 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	March 15, 2015 (unaudited)	December 31, 2014
within one year	159.9	117.0
between 1 to 5 years	123.2	104.4
Total	**283.1**	**221.4**

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

	March 15, 2015 (unaudited)	December 31, 2014
within one year	15.1	13.6
Total	**15.1**	**13.6**

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 112.8 as at March 31, 2015 (PLN 203.7 as at December 31, 2014). The total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at March 31, 2015 was PLN 31.2 (PLN 72.1 as at December 31, 2014).

Ratings

The table below presents a summary of ratings assigned to certain companies of Polsat Group as at the date of publication of this 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/CreditWatch Positive	BB/stable	30.04.2014
Term Loan Revolving Facility Loan	-	-	-	BB/CreditWatch Positive	-	30.04.2014
METELEM						
Corporate rating	-	-	-	BB/CreditWatch Positive	BB-/stable	30.04.2014
EILEME 2						
Corporate rating	Ba3/stable	B1/stable	13.05.2014	-	-	-

	Moody's Investor Services			Standard & Poor's Rating Services		
	Rating / perspective	Previous rating/ perspective	Update	Rating / perspective	Previous rating/ perspective	Update
PLK Senior Notes (EUR 542.2m)	B2/stable	B3/stable	13.05.2014	B+/CreditWatch Positive	B/stable	30.04.2014
PLK Senior Notes (USD 500m)	B2/stable	B3/stable	13.05.2014	B+/CreditWatch Positive	B/stable	30.04.2014

On April 30, 2015, the rating agency Standard&Poor's Rating Services (S&P) placed on CreditWatch Positive the 'BB' long-term corporate credit ratings of Cyfrowy Polsat and Metelem, the 'BB' rating on the Term Loan and the Revolving Facility Loan, as well as the 'B+' rating on the PLK Senior Notes.

S&P's decision is based on the positive assessment of both the contemplated refinancing of the Group's total debt and the executed integration of Cyfrowy Polsat and Polkomtel, as well as the business potential of the combined Group. S&P will make the decision regarding the upgrade of the ratings for Cyfrowy Polsat and Polkomtel within 3 months during which it expects the Group to finalize the refinancing.

4.3.6. Information on guarantees granted by the Company or subsidiaries

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 license 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.

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 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 Poland S.A., Plus TM Group S.K.A., New Media Ventures Sp. z o.o. and Paszport Korzyści Sp. z o.o. 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 S.K.A., 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 Management, 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 S.K.A., 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 (intra-group 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 S.K.A.;

(ix) financial pledges over Series 1/2015, 2/2015,3/2015 and 4/2015 Notes issued on April 30, 2015 by Plus TM Management in favor of Plus TM Group S.K.A.;

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

(xi) authorizations to administer bank accounts of the following companies: Polkomtel, Eileme 3, Eileme 4, Plus TM Group S.K.A., Plus TM Group, Plus TM Management, governed by Polish laws;

(xii) assignment by way of security of receivables under insurance contracts payable to Polkomtel, 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 S.K.A., governed by Polish laws;

(xvi) assignment by way of security of rights under licensing agreements executed by Plus TM Group S.K.A. and Plus TM Management, governed by Polish law;

(xvii) assignment by way of security of rights under managerial contracts executed by Plus TM Management, governed by Polish laws;

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

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

(xx) declarations by Eileme 3 and Plus TM Group S.K.A. on compliance with enforcement action in respect of the duty to deliver Notes documents, governed by Polish laws;

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

(xxii) guarantees provided by Polkomtel, Eileme 3, Eileme 4, Plus TM Group S.K.A., 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.

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

5.1. Transactions concluded with related parties on conditions other than market conditions

Transactions concluded in the 3-month period ended March 31, 2015 by us or our subsidiaries with entities related to Polsat Group have all been concluded on market conditions and are described in Note 18 of the interim condensed consolidated financial statements for the 3-month period ended March 31, 2015.

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

Cyfrowy Polsat did not publish any financial forecasts.

5.3. Material proceedings at the court, arbitration body or public authorities

The Management of Cyfrowy Polsat believes that the provisions for litigations as at March 31, 2015 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

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. 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.

On December 23, 2014, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8 million. The company appealed to SOKiK against the decision.

On December 30, 2014, the President of UOKiK issued a decision ending investigations related to Polkomtel's alleged practices which infringed upon the collective interests of consumers by not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 million. The company appealed to SOKiK against the decision.

On December 15, 2014, Polkomtel received a claim from Orange for the total amount of PLN 21 million related to the actions allegedly contrary to the obligations arising under the agreement for the transfer of rights to radio frequencies. On January 13, 2015 the company filed an answer to the claim. In management's opinion the claim is groundless.

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. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

5.4. Factors that may impact our results in at least the following quarter

5.4.1. 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 4.8%, 1.8% and 1.7%, respectively, with the corresponding figures for the EU 28 at 1.7%, -0.5% and 0.0%, respectively. Despite the Polish economy's relatively good condition, the downturn on the global markets in 2011-2013 adversely impacted the volume of advertising spending in Poland, including on TV advertising.

Based on Eurostat data, a slight recovery of economies both of Poland and other EU countries took place in 2014. The estimated GDP growth for Poland in 2014 was 3.4%, while forecasted GDP growth in 2015 and GDP is 3.2% and 3.4%, respectively. GDP growth in 28 EU countries is estimated at 1.3% in 2014, 1.7% in 2015 and 2.1% in 2016.

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 2015-2016, 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 customer 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, we offer pay TV services as part of our integrated offer under the smartDOM program, which has a positive impact of the loyalization of our customer base and contributes to maintaining a relatively low churn rate.

Dynamic growth of non-linear distribution of content, delivered by video on demand and OTT (over-the-top) services is a global trend. This market is still small in Poland (according to data presented by PwC, its value was estimated at ca. 7 million USD in 2013, while in Great Britain and Germany at 485 million USD and 134 million USD, respectively) and in our opinion has significant growth prospects. We consequently develop our services which provide our customers with content on demand – our VOD rental service and the leading online television in Poland, IPLA. These products are complementary to our core business in the field of pay TV and allow us to broaden our content distribution channels.

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 a 2.6% growth y-o-y of total net TV advertising expenditure in 2015, while in 2016 this segment will increase by 2.4%. 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 2015-2016 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 increased at a rate of 7.2% in 2014 compared to 2013, while expenditures on the video advertising segment, in which we generate our revenue, increased by 16% during this period and represented 7.5% of the total expenditures on online advertising. According to PwC forecasts (Global entertainment and media outlook: 2014-2018) the online video advertising in Poland will grow by an average 45.1% (CAGR) in the years 2013-2018. 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.

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 Internet 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 transmission 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. In the first quarter of 2015 85% of handsets sold by us to our telecommunication service customers were smartphones and this share is systematically growing. At the same time, we estimate that at the end of March 2015 ca. 47% 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 November 2014, the volume of transmitted data will increase 9 times in the years 2014-2020. 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.

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, 2014, TV Polsat Group generated approximately 21.6% of advertising revenue in the first quarter, 28.0% in the second quarter, 20.7% in the third quarter and 29.7% 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 customers 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 customer 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 EBITDA in the fourth quarter.

5.4.2. Factors related to the operations of the Group

Growing importance of integrated services

Growing interest in integrated services, observed among our customers 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 leading 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. Thanks to its technical characteristics and quality parameters, mobile LTE Internet successfully replaces 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. The wide availability of our LTE Internet service constitutes a significant competitive advantage and it will help us to further increase our customer base both of stand-alone and integrated services.

We provide telecommunication services in LTE technology based, among others, on the network infrastructure of Midas Group. On March 3, 2015, Midas Group informed that under an agreement concluded with Sferia S.A. it gained access to a telecommunications network enabling the provision of services in LTE technology based on the 800 MHz frequency band.

Moreover, Midas Group invited potential holders of frequencies in the 800 MHz band – in particular Hubb Investments Sp. z o.o., NetNet Sp. z o.o. and P4 Sp. z o.o. – to cooperate in the construction of a joint LTE 800 network.

In line with the provisions of the agreements concluded between Midas Group and Polsat Group, if companies belonging to Midas Group introduce services based on other own frequencies or frequencies to which they acquire usage rights, Midas Group will extend the scope of services related to data transmission provided to Polsat Group. On March 24, 2015, Midas Group launched the first in Poland commercial LTE 800 network. Following the completion of the first phase of the roll-out of the LTE 800 network, including over 1000 locations, as of the end of March 2015 over 90% of Poles live within the coverage footprint of LTE Internet service offered by Plus and Cyfrowy Polsat. Midas Group announced that, bearing in mind the optimal coverage, the roll-out of the LTE 800 network may consist in the construction of over 5000 stations in total.

Thanks to the deployment and further expansion of the network based on frequencies in the 800 MHz ban, fast broadband Internet access will now be available not only to the inhabitants of big cities but also to those living in rural areas. Along with the expansion of the LTE 800 network we can expect growth of the number of customers of our services, and hence growth of revenue from telecommunication services.

New terms of provision of data transmission services

We provide telecommunication services in LTE/HSPA+ technologies, data transmission in particular, based on the network infrastructure of Midas Group. On March 3, 2015, we concluded memoranda of understanding with Midas Group (for details see item 3.2 – *Significant events – Business related events)* determining new terms of cooperation between Polsat Group and Midas Group in the scope of telecommunication services related to data transmission. In particular, a new, lower unit price of PLN 2.40 net per 1 GB was established, which will be applied to both newly ordered data packages as well as unused data packages already partially paid for under previous orders. Concurrently, we placed an order with Mobyland for the purchase of a data package of ca. 1.6 billion GB, which will satisfy our needs related to data transmission in the mid-term. and the Company placed an order with Polkomtel for the purchase of a data package of ca. 601 million GB.

The new terms of cooperation between Polsat Group and Midas Group constitute an important element of the implementation of our strategy to provide our customers with multi-play services, a significant component of which is LTE Internet access. The commercial success of the integrated services program smartDOM and unlimited access to LTE Internet services triggered the dynamic growth rate of the number of users of mobile Internet services offered by Polsat Group, which translates into growing costs of data transmission services. In our opinion, the data package purchased from Midas Group meets our business needs over the medium term, while a lower unit price per 1 GB of data transmission allows to present a more attractive offer to customers, which may help to maintain a high dynamic of customer acquisition or improve margins generated from services in the future. At the same time, a significantly lower unit price will contribute to better control of incurred data transmission costs given the growing volume of used data in the coming quarters, which will be reflected in the Group's financial results.

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.

Mobile video traffic is the fastest growing segment of global mobile data traffic. According to estimates presented in Ericsson Mobility Report dated November 2014, mobile video traffic is expected to grow at an average annual rate of 45% between 2014 and 2020. Bearing this in mind, we believe that IPLA online television will make an increasingly significant element of our business in the future.

Integration of Cyfrowy Polsat and Polkomtel

The incorporation of Polkomtel in 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, 3G 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. 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. 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, UEFA Euro 2016 final tournament, FIFA World Championships 2018 qualifying stage, European Championships in volleyball and handball, boxing and mixed martial arts galas, World Rally Championship, Formula 1 races, Wimbledon 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.

5.4.3. 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 July 1, 2013 to June 30, 2014	from July 1, 2014	from July 1, 2013 to June 30, 2014	from July 1, 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 at the date of publication 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, 2014 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 2600 MHz band – at PLN 25 million. 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. Six entities submitted initial bids: Orange, P4, Hubb Investments Sp. z o.o., T-Mobile, Polkomtel and NetNet Sp. z o.o., all of which qualified to the second stage of the auction. On March 10, 2015, Polkomtel made a decision to discontinue its participation in active bidding for the spectrum blocks from the 800 MHz band and switched to the so-called passive approach. The auction began on February 10, 2015 and at the date of publication of this Report had not ended.

5.4.4. 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, capital expenditures and debt service costs 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 customers; (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.

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.

The Group has begun preliminary analyses of possibilities and potential terms of refinancing of the Group's current debt which amounts to PLN 13 billion in total. Potential refinancing could cover both the existing bank loans and other debt instruments used by the Group's companies, leading to such positive developments as:

- the reduction of interest-related costs, e.g. by replacing the PLK Senior Notes by a debt reflecting current market terms, thus giving the Group tangible savings on interest payments,
- higher flexibility thanks to eliminating restrictions related to cash flows between Metelem Group and other companies from Polsat Group, which could improve the effectiveness of liquidity management within the Group, hence enabling further integration of Cyfrowy Polsat and Polkomtel.

Tomasz Gillner-Gorywoda *President of the Management Board*	Tobias Solorz *Vice-President 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*	Tomasz Szeląg *Member of the Management Board*

Warsaw, May 13, 2015

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.
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	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.
Embud	Embud spółka z ograniczoną odpowiedzialnością entered in the register of entrepreneurs of the National Court Register under entry No. 0000165473.
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
Midas Group	Midas spółka akcyjna entered in the register of entrepreneurs of the National Court Register under entry No. KRS 0000025704 and the indirect and direct subsidiaries of Midas S.A.
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 201.0 million, maturing in 2020, issued by Eileme 1, redeemed in full in 2014.
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 S.K.A.	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.
SOKiK	The District Court in Warsaw, 17th Department for Competition and Consumer Protection.
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.
UKE	The Office of Electronic Communications (Urząd Komunikacji Elektronicznej).
UOKiK	The Office of Competition and Consumer Protection (Urząd Ochrony Konkurencji i Konsumentów).

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).

Term	Definition
CAGR	Compounded Annual Growth Rate – the average annual growth rate calculated for a given value using the following formula: $$CAGR = \left(\frac{W_{rk}}{W_{rp}}\right)^{\left(\frac{1}{rk-rp}\right)} - 1$$ where: rp – start year, rk – end year, Wrp – value in start year, Wrk – value in end year.
Catch-up TV	Services providing access to view selected programming content for a certain period after it was broadcast. Cyfrowy Polsat provides such services from 2011.
CDMA	A family of mobile telecommunications standards developed by the 3rd Generation Partnership 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.
DVR	Set-top boxes equipped with a hard drive enabling the recording of TV programs (Digital Video Recorder)
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.

Term	Definition
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 transmission 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, Frazpc.pl Sp. z o.o., Gery.pl Sp. z o.o. and Netshare Sp. z o.o.
IPTV	Technology enabling transfer of a television signal over IP broadband networks (Internet Protocol Television).
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 programs 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, Internet 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).

Term	Definition
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
VoLTE	Technology which ensures immediate call set-up, high quality of voice and the possibility to provide advanced communication services with the guarantee of quality, such as e.g. HD video streaming based on the standard phone number (*Voice over LTE*).
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 the 3 months ended 31 March 2015

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On 13 May 2015, 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 2015 to 31 March 2015 showing a net profit for the period of: PLN 170.8

Interim Consolidated Statement of Comprehensive Income for the period
from 1 January 2015 to 31 March 2015 showing a total comprehensive income for the period of: PLN 170.3

Interim Consolidated Balance Sheet as at
31 March 2015 showing total assets and total equity and liabilities of: PLN 27,088.9

Interim Consolidated Cash Flow Statement for the period
from 1 January 2015 to 31 March 2015 showing a net decrease in cash and cash equivalents amounting to: PLN 257.9

Interim Consolidated Statement of Changes in Equity for the period
from 1 January 2015 to 31 March 2015 showing an increase in equity of: PLN 170.3

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, 13 May 2015

(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

		for the 3 months ended	
	Note	**31 March 2015 unaudited**	**31 March 2014 unaudited**
Continuing operations			
Revenue	8	2,329.0	723.3
Operating costs	9	(1,909.0)	(507.5)
Other operating income, net		8.7	3.6
Profit from operating activities		**428.7**	**219.4**
Gain/(loss) on investment activities, net	10	28.9	1.3
Finance costs	11	(261.3)	(108.8)
Share of the profit of joint venture accounted for using the equity method		0.5	0.7
Gross profit for the period		**196.8**	**112.6**
Income tax		(26.0)	(14.4)
Net profit for the period		**170.8**	**98.2**
Net profit attributable to equity holders of the Parent		170.8	98.2
Basic and diluted earnings per share (in PLN)		**0.27**	**0.28**

Interim Consolidated Statement of Comprehensive Income

		for the 3 months ended	
	Note	**31 March 2015 unaudited**	**31 March 2014 unaudited**
Net profit for the period		**170.8**	**98.2**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	13	(0.6)	11.1
Income tax relating to hedge valuation	13	0.1	(2.1)
Items that may be reclassified subsequently to profit or loss		**(0.5)**	**9.0**
Other comprehensive income, net of tax		**(0.5)**	**9.0**
Total comprehensive income for the period		**170.3**	**107.2**
Total comprehensive income attributable to equity holders of the Parent		170.3	107.2

(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

	31 March 2015 unaudited	31 December 2014
Reception equipment	416.6	421.1
Other property, plant and equipment	2,855.8	2,961.6
Goodwill	10,831.2	10,826.8
Customer relationships	4,002.2	4,145.8
Brands	1,783.7	1,797.1
Other intangible assets	2,527.5	2,591.4
Non-current programming assets	158.7	135.8
Investment property	5.2	5.3
Non-current deferred distribution fees	84.1	81.0
Other non-current assets	238.0	198.5
includes derivative instruments assets	-	*1.2*
Deferred tax assets	229.0	234.2
Total non-current assets	**23,132.0**	**23,398.6**
Current programming assets	163.1	152.1
Inventories	252.9	301.4
Trade and other receivables	1,599.5	1,453.4
Income tax receivable	28.9	26.0
Current deferred distribution fees	165.3	141.7
Other current assets	212.9	160.1
includes derivative instruments assets	*26,3*	*22.2*
Short-term deposits	42.7	-
Cash and cash equivalents	1,478.9	1,735.3
Restricted cash	12.7	12.6
Total current assets	**3,956.9**	**3,982.6**
Total assets	**27,088.9**	**27,381.2**

(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	31 March 2015 unaudited	31 December 2014
Share capital	12	25.6	25.6
Share premium	12	7,237.4	7,237.4
Other reserves	13	(12.7)	(12.2)
Retained earnings		2,061.6	1,890.8
Equity attributable to equity holders of the Parent		**9,311.9**	**9,141.6**
Non-controlling interests		-	-
Total equity		**9,311.9**	**9,141.6**
Loans and borrowings	14	7,357.9	7,683.5
Issued bonds	15	4,470.0	4,550.2
Finance lease liabilities		13.4	11.7
UMTS license liabilities		724.4	750.3
Deferred tax liabilities		888.6	887.8
Deferred income		5.5	4.7
Other non-current liabilities and provisions		167.4	184.2
includes derivative instruments liabilities		*22.6*	*40.1*
Total non-current liabilities		**13,627.2**	**14,072.4**
Loans and borrowings	14	1,543.9	1,322.6
Issued bonds	15	462.5	464.4
Finance lease liabilities		2.7	6.8
UMTS license liabilities		113.0	117.1
Trade and other payables		1,333.5	1,523.0
includes derivative instruments liabilities		*99.7*	*87.0*
Income tax liability		22.5	48.0
Deposits for equipment		1.4	1.4
Deferred income		670.3	683.9
Total current liabilities		**4,149.8**	**4,167.2**
Total liabilities		**17,777.0**	**18,239.6**
Total equity and liabilities		**27,088.9**	**27,381.2**

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

Interim Consolidated Cash Flow Statement

		for the 3 months ended	
	Note	31 March 2015 unaudited	31 March 2014 unaudited
Net profit		**170.8**	**98.2**
Adjustments for:		**282.2**	**86.6**
Depreciation, amortization, impairment and liquidation	9	467.9	62.4
Payments for film licenses and sports rights		(41.5)	(109.4)
Amortization of film licenses and sports rights		43.7	40.1
Interest expense		177.4	90.4
Change in inventories		48.6	(16.3)
Change in receivables and other assets		(211.8)	(5.1)
Change in liabilities, provisions and deferred income		(216.1)	31.5
Change in internal production and advance payments		(11.7)	(13.3)
Valuation of hedging instruments		(0.6)	11.1
Share of the profit of joint venture accounted for using the equity method		(0.5)	(0.7)
Foreign exchange losses, net		37.1	10.3
Income tax		26.0	14.4
Net additions of reception equipment provided under operating lease		(43.6)	(30.6)
Net loss on derivatives		10.6	-
Other adjustments		(3.3)	1.8
Cash from operating activities		**453.0**	**184.8**
Income tax paid		(48.5)	(17.8)
Interest received from operating activities		13.2	2.2
Net cash from operating activities		**417.7**	**169.2**
Acquisition of property, plant and equipment		(137.6)	(19.4)
Acquisition of intangible assets		(19.1)	(20.0)
Acquisition of subsidiaries, net of cash acquired	16	(4.2)	-
Proceeds from sale of property, plant and equipment		0.2	0.3
Short-term deposits		(42.7)	-
Granted loans		(6.0)	-
Other investing activities - derivatives		1.2	-
Dividends received		-	2.5
Net cash used in investing activities		**(208.2)**	**(36.6)**
Repayment of loans and borrowings	14	(157.0)	(37.4)
Loans and borrowings inflows	14	50.0	-
Finance lease – principal repayments		(2.5)	(0.1)
Payment of interest on loans, borrowings, bonds, Cash Pool, finance lease and commissions*		(357.9)	(9.1)
Net cash used in financing activities		**(467.4)**	**(46.6)**
Net increase/(decrease) in cash and cash equivalents		**(257.9)**	**86.0**

Cash and cash equivalents at the beginning of the period	**1,747.9****	**342.2**
Effect of exchange rate fluctuations on cash and cash equivalents	1.6	-
Cash and cash equivalents at the end of the period	**1,491.6*****	**428.2**

* Includes impact of hedging instruments
** Includes restricted cash amounting to PLN 12.6
*** Includes restricted cash amounting to PLN 12.7

(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 Consolidated Statement of Changes in Equity for the 3 months ended 31 March 2015

	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 2015	**25.6**	**7,237.4**	**(12.2)**	**1,890.8**	**9,141.6**	**-**	**9,141.6**
Total comprehensive income	-	-	(0.5)	170.8	170.3	-	**170.3**
Hedge valuation reserve	-	-	*(0.5)*	-	*(0.5)*	-	***(0.5)***
Net profit for the period	-	-	-	*170.8*	*170.8*	-	***170.8***
Balance as at 31 March 2015 unaudited	**25.6**	**7,237.4**	**(12.7)**	**2,061.6**	**9,311.9**	**-**	**9,311.9**

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

	Share capital	Share premium	Other reserves	Retained earnings*	Equity attributable to equity holders of the Parent	Non-controlling interests	**Total equity**
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**1,701.2**	**3,001.2**	**-**	**3,001.2**
Total comprehensive income	-	-	9.0	98.2	107.2	-	**107.2**
Hedge valuation reserve	-	-	*9.0*	-	*9.0*	-	***9.0***
Net profit for the period	-	-	-	*98.2*	*98.2*	-	***98.2***
Balance as at 31 March 2014 unaudited	**13.9**	**1,295.1**	**-**	**1,799.4**	**3,108.4**	**-**	**3,108.4**

* The capital excluded from distribution amounts to PLN 4.6. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Consolidated Financial Statements

1. The Parent Company

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

The Parent operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as 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 joint ventures. 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

- Tomasz Gillner-Gorywoda	President of the Management Board,
- Tobias Solorz	Vice-President 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,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board (from 3 April 2015),
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board (from 3 April 2015),
- Andrzej Papis	Member of the Supervisory Board (until 2 April 2015),
- Leszek Reksa	Member of the Supervisory Board,
- Heronim Ruta	Member of the Supervisory Board.

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

Statement of compliance

These interim condensed consolidated financial statements for the 3 months ended 31 March 2015 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 2014, 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 the 3 months ended 31 March 2015 and the consolidated financial statements for the year 2014, 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 2015. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2015 do not have a material impact on these interim condensed consolidated financial statements.

(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)

5. Group structure

These interim condensed consolidated financial statements for the 3 months ended 31 March 2015 include the following entities:

	Entity's registered office	Activity	Share in voting rights (%) 31 March 2015	Share in voting rights (%) 31 December 2014
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. (formerly Polsat Media Sp. z o.o.)	Ostrobramska 77, Warsaw	advertising activities	100%	100%
Media-Biznes Sp. z o.o.	Ostrobramska 77, Warsaw	television broadcasting and production	100%	100%
Nord License AS	Vollsvseien 13B Lysaker Norway	trade of programming licences	100%	100%
Polsat License Ltd.	Alte Landstrasse 17, 8863 Buttikon, 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%	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	31 March 2015	31 December 2014
Subsidiaries accounted for using full method (cont.)				
Polsat Brands (einfache Gesellschaft)	Alte Landstrasse 17, 8863 Buttikon, Switzerland	intellectual property rights management	100%	100%
Polsat Ltd.	238A King Street, W6 0RF London UK	television broadcasting	100%	100%
Radio PIN S.A.*	Ostrobramska 77, Warsaw	radio broadcasting and production	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%	100%
CPSPV2 Sp. z o.o.	Łubinowa 4a, Warsaw	technical services	100%	100%
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%	100%
Eileme 1 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 2 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	100%
Eileme 3 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding and financial activities	100%	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**	**31 March 2015**	**31 December 2014**
Subsidiaries accounted for using full method (cont.)				
Eileme 4 AB (publ)	Stureplan 4C 114 35 Stockholm Sweden	holding activities	100%	100%
Polkomtel Sp. z o.o.	Postępu 3 02-676 Warsaw	telecommunication activities	100%	100%
Nordisk Polska Sp. z o.o.	Postępu 3 02-676 Warsaw	telecommunication activities	100%	100%
Polkomtel Finance AB (publ)	Norrlandsgatan 18 111 43 Stockholm Sweden	financial activities	100%	100%
Liberty Poland S.A.	Katowicka 47 41-500 Chorzów	telecommunication activities	100%	100%
Polkomtel Business Development Sp. z o.o.	Postępu 3 02-676 Warsaw	other activities supporting financial services	100%	100%
Plus TM Management Sp. z o.o.	Postępu 3 02-676 Warsaw	intelectual property rights management and rental	100%	100%
LTE Holdings Limited	Kostaki Pantelidi 1 1010, Nicosia Cyprus	holding activities	100%	100%
Plus TM Group Spółka z ograniczoną odpowiedzialnością Spółka Komandytowo-Akcyjna	Postępu 3 02-676 Warsaw	intelectual property rights rental	100%	100%
Plus TM Group Sp. z o.o.	Postępu 3 02-676 Warsaw	holding activities	100%	100%

* On 27 February 2015 Telewizja Polsat Sp. z o.o. acquired 100% shares of Radio PIN S.A.

(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**	**31 March 2015**	**31 December 2014**
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%	49.97%
Paszport Korzyści Sp. z o.o.	Postępu 3 02-676 Warsaw	maintenance of loyalty programs	49%	49%

Additionally, the following entities were included in these interim condensed consolidated financial statements for the 3 months ended 31 March 2015:

			Share in voting rights (%)	
	Entity's registered office	**Activity**	**31 March 2015**	**31 December 2014**
Karpacka Telewizja Kablowa Sp. z o.o.*	Warszawska 220, Radom	dormant	99%	99%
Litenite Limited**	Kostakis Pantelides Avenue 1 1010, Nicosia Cyprus	holding activities	49%	49%

* Investment accounted for at cost less any accumulated impairment losses

** Due to restriction related to a dividend and construction of the transactions related to the acquisition, investment in Litenite Limited is accounted for as an investments in associates without equity pick-up

6. Approval of the Consolidated Financial Statements

These interim condensed consolidated financial statements were approved for publication by the Management Board of Cyfrowy Polsat S.A. on 13 May 2015.

(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)

7. 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.

8. Revenue

	for the 3 months ended	
	31 March 2015 unaudited	**31 March 2014 unaudited**
Retail revenue	1,637.2	467.8
Wholesale revenue	553.3	242.2
Sale of equipment	118.4	7.9
Other revenue	20.1	5.4
Total	**2,329.0**	**723.3**

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.

(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. Operating costs

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Technical costs and cost of settlements with telecommunication operators	482.3	71.4
Depreciation, amortization, impairment and liquidation	467.9	62.4
Cost of equipment sold	332.5	10.3
Content costs	235.5	210.7
Distribution, marketing, customer relation management and retention costs	189.2	75.3
Salaries and employee-related costs	129.1	44.7
Cost of debt collection services, bad debt allowance and receivables written off	18.7	6.7
Other costs	53.8	26.0
Total	**1,909.0**	**507.5**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Salaries	106.8	37.1
Social security contributions	19.3	6.4
Other employee-related costs	3.0	1.2
Total	**129.1**	**44.7**

10. Gain/(loss) on investment activities, net

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Interest income	11.3	2.2
Other interest expense	(1.8)	(0.3)
Other foreign exchange gains/(losses), net	30.6	(0.6)
Other costs	(11.2)	-
Total	**28.9**	**1.3**

(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)

11. Finance costs

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Interest expense on loans and borrowings	98.1	34.4
Interest expense on issued bonds	87.7	48.2
Foreign exchange differences on issued bonds	73.9	10.3
Valuation and realization of hedging instruments	1.2	11.2
Valuation and realization of instruments not under hedge accounting	(2.2)	-
Guarantee fees, bank and other charges	2.6	4.7
Total	**261.3**	**108.8**

12. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2015 and 31 December 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**	

The shareholders' structure as at 31 March 2015 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%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
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 an indirect subsidiary of Mr. Zygmunt Solorz-Żak

[3] Sensor Overseas Ltd. is controlled by EVO Foundation

(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 16 March 2015, Embud Sp. z o.o. acquired from Argumenol Investment Company Limited 28,415,173 ordinary series J bearer shares of the Company.

The shareholders' structure as at 31 December 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]	28,415,173	1.1	4.44%	28,415,173	3.47%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	29,648,775	1.2	4.64%	29,648,775	3.62%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
Total	**639,546,016**	**25.6**	**100%**	**818,963,517**	**100%**

[1] As at 31 December 2014 entity was controlled by Mr. Zygmunt Solorz-Żak

[2] As at 31 December 2014 Reddev Investments Ltd. was an indirect subsidiary of Mr. Zygmunt Solorz-Żak

[3] As at 31 December 2014 Sensor Overseas Ltd. was controlled by EVO Foundation

(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 2 April 2015 the Annual General Meeting of the Company adopted resolution on distribution of profit of the Company for the financial year of 2014. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2014 in the amount of PLN 177.2 is appropriated to the supplementary capital.

13. Hedge valuation reserve

Impact of hedging instruments valuation on other reserves

	2015	2014
Balance as at 1 January	**(12.2)**	**(9.0)**
Amount transferred to income statement	-	11.1
Deferred tax	-	(2.1)
Change for the period (old credit facility)	**-**	**9.0**
Valuation of cash flow hedges	1.4	-
Amount transferred to income statement	(2.0)	-
Deferred tax	0.1	-
Change for the period (new credit facility)	**(0.5)**	**-**
Balance as at 31 March unaudited	**(12.7)**	**-**

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Due to the repayment of existing debt and its replacement with new credit facility the hedge of existing debt was ended and the amounts presented in hedge valuation reserve were transferred to profit and loss. In connection with the new credit facility a new hedging relationship was designated.

14. Loans and borrowings

Loans and borrowings	**31 March 2015 unaudited**	**31 December 2014**
Short-term liabilities	1,543.9	1,322.6
Long-term liabilities	7,357.9	7,683.5
Total	**8,901.8**	**9,006.1**

Change in loans and borrowings liabilities:

	2015	**2014**
Loans and borrowings as at 1 January	**9,006.1**	**485.9**
Revolving facility loan	50.0	-
Repayment of capital	(157.0)	(37.4)
Repayment of interest and commissions	(95.4)	(5.7)
Interest accrued	98.1	34.4
Loans and borrowings as at 31 March unaudited	**8,901.8**	**477.2**

(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)

15. Issued bonds

	31 March 2015 unaudited	31 December 2014
Short-term liabilities	462.5	464.4
Long-term liabilities	4,470.0	4,550.2
Total	**4,932.5**	**5,014.6**

Change in issued bonds:

	2015	2014
Issued bonds as at 1 January	**5,014.6**	**1,438.7**
Foreign exchange losses	73.9	10.3
Repayment of interest and commission	(243.7)	-
Interest accrued	87.7	48.2
Issued bonds payable as at 31 March unaudited	**4,932.5**	**1,497.2**

16. Acquisition of a subsidiary

Acquisition of shares in Radio PIN S.A.

On 27 February 2015 Telewizja Polsat Sp. z o.o. acquired 100% shares of Radio PIN S.A. for the amount of PLN 4.2. Radio PIN S.A. is broadcaster of Muzo.fm radio station.

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

a) Consideration transferred

	2015
Purchase price	4.2
Total as at 27 February 2015	**4.2**

b) Reconciliation of transactional cash flow

	2015
Cash transferred	(4.2)
Cash and cash equivalents received	-
Cash decrease in the period of 3 months ended 31 March 2015	**(4.2)**

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 27 February 2015:

	fair value as at the acquisition date (27 February 2015)
Net assets:	
Property, plant and equipment	1.1
Other intangible assets	0.2
Other non-current assets	0.2
Trade receivables and other receivables	0.4
Other current assets	0.1
Loans and borrowings	(0.5)
Trade liabilities and other liabilities	(1.7)
Total net assets	**(0.2)**
Consideration transferred	4.2
Provisional value of goodwill	**4.4**

The provisional fair value of assets and liabilities is estimated at book value as at the acquisition date.

The goodwill arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations. Goodwill is allocated to the "Broadcasting and television production" operating segment.

The revenue and net loss included in the interim consolidated income statement for the reporting period since 27 February 2015 contributed by Radio PIN S.A. amounted to PLN 0.3 and PLN 0.1, respectively. Had it been acquired on 1 January 2015 the revenue and net loss included in the interim consolidated income statement would not differ significantly.

17. 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;

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- 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 and radio channels 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 liquidation. The EBITDA is not an EU IFRS measure and thus its calculations may differ among the entities.

The table below presents a summary of the Group's revenues, expenses, acquisition of property, plant and equipment, reception equipment and other intangible assets as well as assets by operating segment for the 3 months ended 31 March 2015:

The 3 months ended 31 March 2015 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	2,081.4	247.6	-	2,329.0
Inter-segment revenues	8.2	35.4	(43.6)	-
Revenues	**2,089.6**	**283.0**	**(43.6)**	**2,329.0**
EBITDA (unaudited)	**796.3**	**100.3**	**-**	**896.6**
Depreciation, amortization, impairment and liquidation	458.3	9.6	-	467.9
Profit from operating activities	**338.0**	**90.7**	**-**	**428.7**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	196.2*	4.5	-	200.7
Balance as at 31 March 2015 (unaudited)				
Assets, including:	22,983.5	4,191.9**	(86.5)	27,088.9
Investments in joint venture	-	3.7	-	3.7

* 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 66.2.

All material revenues are generated in Poland.

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It should be noted that the data for 3 months ended 31 March 2015 is not comparable to the 3 months ended 31 March 2014 as Metelem Holding Company Limited was acquired on 7 May 2014 (allocated to the Services to individual and business customers segment) and Radio PIN was acquired on 27 February 2015 (allocated to the Broadcasting and television production segment).

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

The 3 months ended 31 March 2014 (unaudited)	Services to individual and business customers	Broadcasting and television production	Consolidation adjustments	Total
Revenues from sales to third parties	484.5	238.8	-	723.3
Inter-segment revenues	6.5	26.9	(33.4)	-
Revenues	**491.0**	**265.7**	**(33.4)**	**723.3**
EBITDA (unaudited)	**181.1**	**100.7**	**-**	**281.8**
Depreciation, amortization, impairment and liquidation	53.3	8.4	0.7	62.4
Profit from operating activities	**127.8**	**92.3**	**(0.7)**	**219.4**
Acquisition of property, plant and equipment, reception equipment and other intangible assets	61.6*	8.8	-	70.4
Balance as at 31 March 2014 (unaudited)				
Assets, including:	1,712.5	4,183.0**	(44.3)	5,851.2
Investments in joint venture	-	1.2	-	1.2

*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 3 months ended	
	31 March 2015 unaudited	**31 March 2014 unaudited**
EBITDA (unaudited)	**896.6**	**281.8**
Depreciation, amortization, impairment and liquidation (note 9)	(467.9)	(62.4)
Profit from operating activities	**428.7**	**219.4**
Other foreign exchange rate differences, net (note 10)	30.6	(0.6)
Interest income (note 10)	11.3	2.2
Share of the profit of joint venture accounted for using the equity method	0.5	0.7
Interest costs (note 10 and 11)	(186.6)	(94.1)
Foreign exchange differences on issued bonds (note 11)	(73.9)	(10.3)
Other	(13.8)	(4.7)
Gross profit for the period	**196.8**	**112.6**
Income tax	(26.0)	(14.4)
Net profit for the period	**170.8**	**98.2**

(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)

18. Transactions with related parties

Receivables

	31 March 2015 unaudited	31 December 2014
Joint ventures	2.5	4.7
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.	84.4	99.0
Total*	**86.9**	**103.7**

*Amounts presented above do not include deposits paid (31 March 2015 – PLN 2.7, 31 December 2014 – PLN 2.7)

The majority of receivables 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

	31 March 2015 unaudited	31 December 2014
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.	121.7	107.1
Total	**121.7**	**107.1**

Other current assets comprise mainly deferred costs related to agreement with Mobyland for the provision of data transfer services.

Liabilities

	31 March 2015 unaudited	31 December 2014
Joint ventures	1.5	1.9
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.	51.7	93.0
Total	**53.2**	**94.9**

The majority of liabilities as at 31 March 2015 are represented by liability resulting from purchase of set-top boxes. The majority of liabilities as at 31 December 2014 are represented by liability resulting from data transfer services.

Loans granted

	31 March 2015 unaudited	31 December 2014
Joint ventures	36.2	29.9
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.	0.2	0.5
Total	**36.4**	**30.4**

(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)

Revenues

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Subsidiaries*	0.3	-
Joint ventures	0.7	0.1
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.	95.4	6.7
Total	**96.4**	**6.8**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 3 months ended 31 March 2015 the most significant transactions include revenues from sharing base transceiver stations and radio module, services relating to expansion of telecommunication network, sale of advertisements and revenues from audiotext services. In 3 months ended 31 March 2014 the most significant transactions include sale of interconnect services, sponsoring and revenues from audiotext services.

Expenses and purchases of programming assets

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Subsidiaries*	0.2	-
Joint ventures	1.4	1.4
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	144.7	50.0
Total	**146.3**	**51.4**

*Concerns transaction with subsidiaries executed prior to their acquisition

In 3 months ended 31 March 2015 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 3 months ended 30 March 2014 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.

Gain on investment activities, net

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Joint ventures	0.4	-
Total	**0.4**	**-**

The acquisition of shares in Radio PIN S.A. was presented in note 16.

19. Litigations

Management believes that the provisions for litigations as at 31 March 2015 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.

On 23 December 2014 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 including certain clauses in the terms and conditions of the online shop and including certain clauses in the equipment return policy when telecommunication agreements are terminated by the subscriber. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 8.8 zł. The company appealed to SOKiK against the decision.

On 30 December 2014 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 not providing its telecommunication clients (which entered into a written agreement) with terms and conditions of the preferential sales offer as well as not informing about the termination of the preferential sales offer. Pursuant to the decision of the President of UOKiK Polkomtel was charged with a penalty in the amount of PLN 6.0 zł. The company appealed to SOKiK against the decision.

On 15 December 2014 Polkomtel (Company's indirect subsidiary) received a claim from Orange for the total amount of PLN 21 related to the actions allegedly contrary to the obligations arising under the agreement for the transfer of rights to radio frequencies. On 13 January 2015 the company filed an answer to the claim. In management's opinion the claim is groundless.

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. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

20. 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 2014. There have been no significant changes in the risk management department or in any risk management policies since the end of year 2014.

Liquidity risk

Compared to 31 December 2014, 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.

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

			31 March 2015 unaudited		31 December 2014	
	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	0.3	0.3	0.1	0.1
Loans granted to related parties	A	2	40.3	36.2	31.7	30.4
Trade and other receivables	A	2	1,717.9	1,717.9	1,562.8	1,562.8
Cash and cash equivalents and short-term deposits	A	*	1,521.6	1,521.6	1,735.3	1,735.3
Restricted cash	A	*	12.7	12.7	12.6	12.6
Loans and borrowings	C	2	(8,995.0)	(8,901.8)	(9,122.3)	(9,006.1)
Issued bonds	C	1	(4,762.7)	(4,932.5)	(4,840.8)	(5,014.6)
UMTS licence liabilities	C	2	(916.8)	(837.4)	(949.5)	(867.4)
Finance lease liabilities	C	2	(16.1)	(16.1)	(18.5)	(18.5)
Accruals	C	2	(514.8)	(514.8)	(531.7)	(531.7)
Trade and other payables and deposits	C	2	(440.7)	(440.7)	(691.3)	(691.3)
Total			**(12,353.3)**	**(12,354.6)**	**(12,811.6)**	**(12,788.4)**
Unrecognized gain/(loss)				1.3		(23.2)

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.

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 31 March 2015 as well as at 31 December 2014 loans and borrowings comprised senior facilities and revolving facility loan. 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 31 March 2015 as well as at 31 December

(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)

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 31 March 2015, forecasted cash flows from the reporting date to 31 May 2015 (assumed date of repayment of the loan) were analyzed. When determining the fair value of revolving facility as at 31 December 2014, forecasted cash flows from the reporting date to 31 March 2015 (assumed date of repayment of the loan) were analyzed.

The fair value of forwards, interest rate swaps and cross-currency interest rate swaps is determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

The fair value of bonds as at 31 March 2015 as well as at 31 December 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.

As at 31 March 2015, the Group held the following financial instruments carried at fair value on the statement of financial position:

Assets measured at fair value

	31 March 2015 unaudited	Level 1	Level 2	Level 3
forward contracts		-	26.3	-
Total		**-**	**26.3**	**-**

Liabilities measured at fair value

	31 March 2015 unaudited	Level 1	Level 2	Level 3
forward contracts		-	(13.0)	-
IRS		-	(109.3)	-
Total		**-**	**(122.3)**	**-**

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

Assets measured at fair value

	31 December 2014	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Forwards		-	20.3	-
Cross-currency interest rate swaps		-	3.1	-
Total		**-**	**23.4**	**-**

Liabilities measured at fair value	31 December 2014	Level 1	Level 2	Level3
Derivative instruments not designated as hedging instruments:				
Interest rate swaps		-	(15.4)	-
Hedging derivative instruments:				
Interest rate swaps		-	(105.6)	-
Cross-currency interest rate swaps		-	(6.1)	-
Total		**-**	**(127.1)**	**-**

21. Important agreements and events

Agreements for the provision of data transfer services

On 3 March 2015 two memoranda of understanding determining new terms of cooperation in the scope of telecommunication services related to data transmission were concluded:

a) PLK Memorandum – memorandum concluded between Polkomtel Sp. z o.o. ('Polkomtel'), a wholly owned subsidiary of the Company, and Mobyland Sp. z o.o ("Mobyland") under the agreement on the provision of wholesale telecommunications services concluded between Mobyland and Polkomtel on 9 March 2012, and

b) CP Memorandum - memorandum concluded between the Company and Polkomtel under the agreement on the provision of wholesale telecommunications services, concluded on 27 March 2014 ("Framework Agreement").

In accordance with the PLK Memorandum and CP Memorandum, the parties have established new terms of cooperation between Polkomtel and Mobyland, as well as between the Company and Polkomtel, in particular:

a) a new unit price per 1 GB in relation to telecommunication services related to data transmission in the net amount of PLN 2.40 (not in millions);

b) the new price will be applicable to both newly ordered data packages as well as unused data packages already partially paid for under previous orders;

c) the new terms of cooperation were effective as of 1 January 2015 and the placed orders for data transmission will be valid for a period of 4 years;

d) in the event when Mobyland introduces services based on other own frequencies or frequencies to which it acquires usage rights, Mobyland will extend the scope of services related to data transmission provided to Polkomtel.

Pursuant to the PLK Memorandum, on 3 March 2015 Polkomtel placed an order with Mobyland for the purchase of a data package of 1,571.68 million GB (the "PLK Order"). The total value of the PLK Order amounts to PLN 3,772.0 (net) and the surplus payments made for the previous order placed by Polkomtel with Mobyland, in relation to the actual usage, in the amount of PLN 144.6 were credited towards payments for the PLK Order. Payments for the PLK Order will be made in favor of Mobyland according to the following schedule:

i. PLN 119.3, net – for the first quarter of 2015 in three equal monthly installments,

ii. PLN 132.0, net – for the second quarter of 2015 in three equal monthly installments,

iii. PLN 245.0, net – for the third quarter of 2015 in three equal monthly installments,

iv. PLN 354.0, net – for the fourth quarter of 2015 in three equal monthly installments,

v. PLN 989.3, net – for the year 2016 in twelve equal monthly installments,

vi. PLN 880.0, net – for the year 2017 in twelve equal monthly installments, and

vii. PLN 907.9, net – for the year 2018 in twelve equal monthly installments.

In addition, pursuant to the CP Memorandum, on 3 March 2015 the Company placed the CP Order with Polkomtel for the purchase of a subsequent data package of 600.9 million GB (the "CP Order"). The total value of the CP Order amounts to PLN 1,442.2 (net) and the surplus payments made for the previous order placed by the Company with Polkomtel, in relation to the actual usage, in the amount of PLN 19.6 were credited towards payments for the CP Order. Payments for the CP Order will be made in favor of Polkomtel according to the following schedule:

i. PLN 48.8, net – for the first quarter of 2015 in three equal monthly installments,

ii. PLN 53.9, net – for the second quarter of 2015 in three equal monthly installments,

iii. PLN 98.2, net – for the third quarter of 2015 in three equal monthly installments,

iv. PLN 140.1, net – for the fourth quarter of 2015 in three equal monthly installments,

v. PLN 385.5, net – for the year 2016 in twelve equal monthly installments,

vi. PLN 342.8, net – for the year 2017 in twelve equal monthly installments, and

vii. PLN 353.2, net – for the year 2018 in twelve equal monthly installments.

Decision to withdraw from the active bidding in the auction for 800 MHz frequency blocks

On 10 March 2015 the Company was informed by Polkomtel Sp. z.o.o. ("Polkomtel"), an indirect subsidiary of the Company, of Polkomtel's decision to discontinue active bidding in the auction for 800 MHz spectrum blocks while adopting the so-called passive bidding approach.

The PLK Memorandum and the CP Memorandum (described in detail above) assume that should Mobyland launch services using further frequencies it owns or the frequencies which it will acquire, then Mobyland will expand the scope of data transmission services provided to Polkomtel. The Midas Group (which includes Mobyland) intends to pursue a roll-out of the LTE800 network.

22. Events subsequent to the reporting date

Voluntary prepayment of the term loan

On 13 April 2015, Polkomtel Sp. z o. o. (an indirect subsidiary of the Company) made a voluntary prepayment of part of the senior facilities term loan in the amount of PLN 600.

(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)

Listing of Series J shares

The Management Board of the Warsaw Stock Exchange (the WSE) decided that 243,932,490 Series J ordinary bearer shares of the Company shall be listed on the main WSE market as of 20 April 2015 through an ordinary listing procedure. The Company's intention was to have the Series J shares listed on the WSE after the rights related to the Series J shares were made uniform with the shares already listed on the WSE. These rights were made uniform as of 2 April 2015 as a result of the adoption by the General Meeting of the Company of a resolution regarding the distribution of 2014 net profits.

Merger of Cyfrowy Polsat and Redefine Sp. z o. o.

On 14 April 2015 the Management Board of the Company resolved to merge Cyfrowy Polsat (Taking-over Company) with Redefine Sp. z o. o. (Acquired Company), in which Cyfrowy Polsat holds 100% of share capital, and approved the merger plan. The planned merger of the two companies will be concluded by transferring all the assets of the Acquired Company to the Taking-over Company. As a result of the merger, the Acquired Company will be terminated without liquidation. The aim of the planned merger is to optimize costs and simplify the organizational structure of the Group in line with the Group's long-term strategy.

Acquisition of the shares in Orsen Holding Limited

On 1 April 2015 Cyfrowy Polsat Group acquired 100% shares of Orsen Holding Limited for the amount of PLN 35.0. As a result of the above mentioned acquisition Teleaudio Dwa Sp. z o.o. S.k. (the leader in Premium Rate services) and InterPhone Service Sp. z o.o. (the manufacturer of telecommunication and electronic appliances) have joined Cyfrowy Polsat Group.

23. 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. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

Commitments to purchase programming assets

As at 31 March 2015 the Group had outstanding contractual commitments in relation to purchases of programming assets. The table below presents a maturity analysis for such commitments:

	31 March 2015 unaudited	**31 December 2014**
within one year	159.9	117.0
between 1 to 5 years	123.2	104.4
Total	**283.1**	**221.4**

(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)

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

	31 March 2015 unaudited	31 December 2014
within one year	15.1	13.6
Total	**15.1**	**13.6**

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 112.8 as at 31 March 2015 (PLN 203.7 as at 31 December 2014). Total amount of contractual liabilities resulting from agreements for the purchases of intangible assets as at 31 March 2015 was PLN 31.2 (PLN 72.1 as at 31 December 2014).

24. 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 were the same as those adopted in the preparation of consolidated financial statements for the year ended 31 December 2014.

CYFROWY POLSAT S.A.

Interim Condensed Financial Statements
for the 3 months ended 31 March 2015

Prepared in accordance
with International Accounting Standard 34
Interim Financial Reporting

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APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

On 13 May 2015, 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 2015 to 31 March 2015 showing a net profit for the period of:	PLN 249.1
Interim Statement of Comprehensive Income for the period from 1 January 2015 to 31 March 2015 showing a total comprehensive income for the period of:	PLN 248.6
Interim Balance Sheet as at 31 March 2015 showing total assets and total equity and liabilities of:	PLN 12,920.3
Interim Cash Flow Statement for the period from 1 January 2015 to 31 March 2015 showing a net increase in cash and cash equivalents amounting to:	PLN 8.4
Interim Statement of Changes in Equity for the period from 1 January 2015 to 31 March 2015 showing an increase in equity of:	PLN 248.6

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 Vice-President of the Management Board	Tomasz Szeląg Member of the Management Board	
Dariusz Działkowski Member of the Management Board	Aneta Jaskólska Member of the Management Board	Maciej Stec Member of the Management Board	Agnieszka Szatan Chief Accountant

Warsaw, 13 May 2015

(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	
	Note	31 March 2015 unaudited	31 March 2014 unaudited
Revenue	7	516.1	487.9
Operating costs	8	(434.5)	(381.0)
Other operating income, net		2.7	3.5
Profit from operating activities		**84.3**	**110.4**
Gain/(loss) on investment activities, net	9	201.1	1.6
Finance costs	10	(25.6)	(118.1)
Gross profit/(loss) for the period		**259.8**	**(6.1)**
Income tax		(10.7)	2.5
Net profit/(loss) for the period		**249.1**	**(3.6)**
Basic and diluted earnings per share (in PLN)		**0.39**	**(0.01)**

Interim Statement of Comprehensive Income

		for the 3 months ended	
	Note	31 March 2015 unaudited	31 March 2014 unaudited
Net profit/(loss) for the period		**249.1**	**(3.6)**
Items that may be reclassified subsequently to profit or loss:			
Valuation of hedging instruments	12	(0.6)	11.1
Income tax relating to hedge valuation	12	0.1	(2.1)
Items that may be reclassified subsequently to profit or loss		**(0.5)**	**9.0**
Other comprehensive income, net of tax		**(0.5)**	**9.0**
Total comprehensive income for the period		**248.6**	**5.4**

(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)

Interim Balance Sheet - Assets

	31 March 2015 unaudited	31 December 2014
Reception equipment	416.6	421.1
Other property, plant and equipment	161.6	164.8
Goodwill	52.0	52.0
Other intangible assets	74.1	75.6
Investment property	1.8	1.8
Shares in subsidiaries	11,561.5	11,561.5
Non-current deferred distribution fees	35.2	35.1
Other non-current assets	46.0	35.3
Total non-current assets	**12,348.8**	**12,347.2**
Inventories	119.2	124.0
Trade and other receivables	293.9	260.5
Income tax receivables	20.4	26.0
Current deferred distribution fees	77.5	74.5
Other current assets	38.8	30.9
Cash and cash equivalents	21.7	13.3
Total current assets	**571.5**	**529.2**
Total assets	**12,920.3**	**12,876.4**

(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)

Interim Balance Sheet - Equity and Liabilities

	Note	31 March 2015 unaudited	31 December 2014
Share capital	11	25.6	25.6
Share premium	11	7,237.4	7,237.4
Hedge valuation reserve	12	(12.7)	(12.2)
Retained earnings		2,444.6	2,195.5
Total equity		**9,694.9**	**9,446.3**
Loans and borrowings	13	1,792.8	1,846.2
Finance lease liabilities		0.6	0.8
Deferred tax liabilities		102.7	97.7
Deferred income		5.5	4.7
Other non-current liabilities and provisions		17.2	18.5
includes derivative instruments (IRS/CIRS) liabilities		*5.7*	*7.0*
Total non-current liabilities		**1,918.8**	**1,967.9**
Loans and borrowings	13	802.3	927.1
Finance lease liabilities		0.7	0.8
Trade and other payables		282.2	316.8
includes derivative instruments (IRS/CIRS) liabilities		*10.0*	*8.4*
Deposits for equipment		1.4	1.4
Deferred income		220.0	216.1
Total current liabilities		**1,306.6**	**1,462.2**
Total liabilities		**3,225.4**	**3,430.1**
Total equity and liabilities		**12,920.3**	**12,876.4**

(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)

Interim Cash Flow Statement

	Note	for the 3 months ended 31 March 2015 unaudited	for the 3 months ended 31 March 2014 unaudited
Net profit/(loss)		**249.1**	**(3.6)**
Adjustments for:		**(199.7)**	**142.1**
Depreciation, amortization, impairment and liquidation	8	57.8	52.4
Interest expense		24.4	100.9
Change in inventories		4.7	(15.0)
Change in receivables and other assets		(23.3)	11.6
Change in liabilities, provisions and deferred income		(23.7)	2.6
Valuation of hedging instruments		(0.6)	11.1
Foreign exchange losses, net		-	10.7
Income tax		10.7	(2.5)
Net increase in reception equipment provided under operating lease		(43.6)	(30.6)
Dividends income	9	(206.8)	-
Other adjustments		0.7	0.9
Cash from operating activities		**49.4**	**138.5**
Income tax paid		-	(7.9)
Interest received from operating activities		0.1	0.3
Net cash from operating activities		**49.5**	**130.9**
Dividends received		175.0	-
Acquisition of property, plant and equipment		(7.2)	(12.6)
Acquisition of intangible assets		(5.7)	(16.2)
Net cash from/(used in) investing activities		**162.1**	**(28.8)**
Loans and borrowings inflows	13	50.0	-
Net cash from Cash Pool with paid interest		(73.9)	(51.3)
Finance lease – principal repayments		(0.2)	(0.4)
Payment of interest on loans, borrowings, bonds, finance lease and commissions*		(22.1)	(9.0)
Repayment of loans and borrowings	13	(157.0)	(37.4)
Net cash used in financing activities		**(203.2)**	**(98.1)**
Net increase in cash and cash equivalents		**8.4**	**4.0**
Cash and cash equivalents at the beginning of period		**13.3**	**26.1**
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
Cash and cash equivalents at the end of period		**21.7**	**30.1**

* Includes impact of hedging instruments

(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 3 months ended 31 March 2015

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total equity**
Balance as at 1 January 2015	**25.6**	**7,237.4**	**(12.2)**	**2,195.5**	**9,446.3**
Total comprehensive income	-	-	(0.5)	249,1	**248.6**
Hedge valuation reserve	-	-	*(0.5)*	-	***(0.5)***
Net profit for the period	-	-	-	*249,1*	***249,1***
Balance as at 31 March 2015 unaudited	**25.6**	**7,237.4**	**(12.7)**	**2,444.6**	**9,694.9**

* 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 3 months ended 31 March 2014

	Share capital	Share premium	Hedge valuation reserve	Retained earnings*	**Total Equity**
Balance as at 1 January 2014	**13.9**	**1,295.1**	**(9.0)**	**2,121.2**	**3,421.2**
Total comprehensive income	-	-	9.0	(3.6)	**5.4**
Hedge valuation reserve	-	-	*9.0*	-	***9.0***
Net loss for the period	-	-	-	*(3.6)*	***(3.6)***
Balance as at 31 March 2014 unaudited	**13.9**	**1,295.1**	**-**	**2,117.6**	**3,426.6**

* The capital excluded from distribution amounts to PLN 4.6. In accordance with the provisions of the Commercial Companies Code, joint-stock companies are required to transfer at least 8% of their annual net profits to reserve capital until its amount reaches one third of the amount of their share capital.

Notes to the Interim Condensed Financial Statements

1. The Company

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

The Company operates in Poland as a provider of a paid digital satellite platform under the name of 'Cyfrowy Polsat' and paid digital terrestrial television as well as 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 joint ventures, Telewizja Polsat Sp. z o.o. and its subsidiaries and joint ventures, Cyfrowy Polsat Trade Marks Sp. z o.o. and its subsidiaries, INFO-TV-FM Sp. z o.o., Cyfrowy Polsat Finance AB, Orsen Holding Limited and its subsidiaries, 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

- Tomasz Gillner-Gorywoda	President of the Management Board,
- Tobias Solorz	Vice-President 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,
- Tomasz Szeląg	Member of the Management Board.

3. Composition of the Supervisory Board of the Company

- Zygmunt Solorz-Żak	President of the Supervisory Board,
- Józef Birka	Member of the Supervisory Board (from 3 April 2015),
- Robert Gwiazdowski	Member of the Supervisory Board,
- Aleksander Myszka	Member of the Supervisory Board (from 3 April 2015),
- Andrzej Papis	Member of the Supervisory Board (until 2 April 2015),
- 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 financial statements

Statement of compliance

These interim condensed financial statements for the 3 months ended 31 March 2015 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 2014, 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 the 3 months ended 31 March 2015 and the financial statements for the year 2014, 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 2015. Standards, amendments to Standards and Interpretations which are effective for the reporting periods beginning on 1 January 2015 do not have a material impact on these interim condensed financial statements.

5. Approval of the Interim Condensed Financial Statements

These interim condensed financial statements were approved for publication by the Management Board on 13 May 2015.

6. Information on seasonality in the Company's operations

Retail revenue is not directly subject to any seasonal trend.

7. Revenue

	for the 3 months ended	
	31 March 2015 unaudited	**31 March 2014 unaudited**
Retail revenue	486.2	467.8
Wholesale revenue	9.7	7.4
Sale of equipment	11.7	7.9
Other revenue	8.5	4.8
Total	**516.1**	**487.9**

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

(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. Operating costs

		for the 3 months ended	
	Note	31 March 2015 unaudited	31 March 2014 unaudited
Content costs		127.5	119.8
Distribution, marketing, customer relation management and retention costs		84.5	76.5
Technical costs and costs of settlements with telecommunication operators		74.9	54.5
Depreciation, amortization, impairment and liquidation		57.8	52.4
Salaries and employee-related costs	a	31.6	30.1
Cost of equipment sold		17.8	10.2
Cost of debt collection services, bad debt allowance and receivables written off		9.1	6.9
Other costs		31.3	30.6
Total		**434.5**	**381.0**

a) Salaries and employee-related costs

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Salaries	26.2	24.7
Social security contributions	4.8	4.5
Other employee-related costs	0.6	0.9
Total	**31.6**	**30.1**

9. Gain/(loss) on investment activities, net

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Dividends received	206.8	-
Guarantee fees from related party	-	2.3
Interest expense	(1.3)	(0.1)
Other foreign exchange losses, net	(4.4)	(0.6)
Total	**201.1**	**1.6**

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

10. Finance costs

	for the 3 months ended	
	31 March 2015 unaudited	**31 March 2014 unaudited**
Interest expense on loans and borrowings	21.9	34.4
Interest expense on issued bonds	-	56.8
Foreign exchange differences on issued bonds	-	10.7
Valuation and realization of hedging instruments	1.2	11.2
Guarantee fees	1.4	1.9
Bank and other charges	1.1	3.1
Total	**25.6**	**118.1**

11. Equity

(i) Share capital

Presented below is the structure of the Company's share capital as at 31 March 2015 and 31 December 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**	

(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 31 March 2015 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%
Sensor Overseas Ltd. [3]	54,921,546	2.2	8.59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	58,063,948	2.3	9.08%	58,063,948	7.09%
Other	214,367,958	8.6	33.52%	214,539,208	26.20%
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 an indirect subsidiary of Mr. Zygmunt Solorz-Żak

[3] Sensor Overseas Ltd. is controlled by EVO Foundation

On 16 March 2015, Embud Sp. z o.o. acquired from Argumenol Investment Company Limited 28,415,173 ordinary series J bearer shares of the Company.

The shareholders' structure as at 31 December 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]	28,415,173	1,1	4,44%	28,415,173	3.47%
Sensor Overseas Ltd. [3]	54,921,546	2,2	8,59%	81,662,921	9.97%
Embud Sp. z o.o. [1]	29,648,775	1,2	4,64%	29,648,775	3.62%
Pozostali	214,367,958	8,6	33,52%	214,539,208	26.20%
Razem	**639,546,016**	**25,6**	**100%**	**818,963,517**	**100%**

[1] As at 31 December 2014 entity was controlled by Mr. Zygmunt Solorz-Żak

[2] As at 31 December 2014 Reddev Investments Ltd. was an indirect subsidiary of Mr. Zygmunt Solorz-Żak

[3] As at 31 December 2014 Sensor Overseas Ltd. was controlled by EVO Foundation

(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 2 April 2015 the Annual General Meeting of the Company adopted resolution on distribution of profit of the Company for the financial year of 2014. Pursuant to the provisions of the resolution the net profit earned by the Company in the financial year of 2014 in the amount of PLN 177.2 is appropriated 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)

12. Hedge valuation reserve

Impact of hedging instruments valuation on hedge valuation reserve

	2015	2014
Balance as at 1 January	**(12.2)**	**(9.0)**
Amount transferred to income statement	-	11.1
Deferred tax	-	(2.1)
Change for the period (old credit facility)	**-**	**9.0**
Valuation of cash flow hedges	1.4	-
Amount transferred to income statement	(2.0)	-
Deferred tax	0.1	-
Change for the period (new credit facility)	**(0.5)**	**-**
Balance as at 31 March unaudited	**(12.7)**	**-**

Due to the repayment of existing debt and its replacement with new credit facility the hedge of existing debt was ended and the amounts presented in hedge valuation reserve were transferred to profit and loss. In connection with the new credit facility a new hedging relationship was designated.

13. Loans and borrowings

Loans and borrowings	31 March 2015 unaudited	31 December 2014
Short-term liabilities	802.3	927.1
Long-term liabilities	1,792.8	1,846.2
Total	**2,595.1**	**2,773.3**

Change in loans and borrowings liabilities:

	2015	2014
Loans and borrowings as at 1 January	**2,773.3**	**537.2**
Revolving facility loan	50.0	-
Repayment of capital	(157.0)	(37.4)
Repayment of interest and commissions	(20.5)	(5.7)
Net cash from Cash Pool	(72.6)	(51.3)
Interest accrued	21.9	34.4
Loans and borrowings as at 31 March unaudited	**2,595.1**	**477.2**

(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. Transactions with related parties

Receivables

	31 March 2015 unaudited	31 December 2014
Subsidiaries	60.3	35.0
Joint ventures	0.4	0.3
Entities controlled by a person (or a close member of that person's family) who has control, joint control or significant influence over Cyfrowy Polsat S.A.	14.8	1.3
Total	**75.5**	**36.6**

A significant portion of receivables as at 31 March 2015 is represented by dividend receivable from Telewizja Polsat Sp. z o.o. and receivables related to sale of Polkomtel Sp. z o.o. ('Polkomtel') services. A significant portion of receivables as at 31 December 2014 is represented by receivables related to sale Polkomtel services.

Other assets

	31 March 2015 unaudited	31 December 2014
Subsidiaries	32.2	28.9
Total	**32.2**	**28.9**

Other current assets comprise mainly deferred costs related to the agreement with Polkomtel for the provision of data transfer services.

Liabilites

	31 March 2015 unaudited	31 December 2014
Subsidiaries	65.8	63.7
Joint ventures	1.1	1.1
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.	21.8	3.1
Total	**88.7**	**67.9**

A significant portion of liabilities is represented by programming licence fees, fees for using 'Cyfrowy Polsat' trade mark and liabilities resulting from purchase of set-top boxes.

Loans granted

	31 March 2015 unaudited	31 December 2014
Joint ventures	10.3	10.2
Total	**10.3**	**10.2**

(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)

Revenues

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Subsidiaries	13.1	5,9
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.	14.2	1,0
Total	**27.3**	**6,9**

The most significant transactions include revenues from sale of materials used in set-top boxes' production, accounting services rendered to subsidiaries, interconnect services, programming fees, property rental and signal broadcast services.

Expenses

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Subsidiaries	102.1	50.5
Joint ventures	0.7	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.	9.8	31.7
Total	**112.6**	**82.9**

The most significant transactions include data transfer services and 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, purchasing advertising time, telecommunication services with respect to the Company's customer call center and commissions for subscribers' acquisitions.

Gain on investment activities, net

	for the 3 months ended	
	31 March 2015 unaudited	31 March 2014 unaudited
Subsidiaries	206.8	2.3
Joint ventures	0.1	-
Total	**206.9**	**2.3**

Gains and losses on investment activities comprises mostly of dividends (in 2015) and also income from guarantees granted by the Company in respect to settlement of bonds issued by Cyfrowy Polsat Finance AB (in 2014).

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Finance costs

	for the 3 months ended	
	31 March 2015 unaudited	**31 March 2014 unaudited**
Subsidiaries	1.5	57.2
Total	**1.5**	**57.2**

Finance costs comprise mostly of interest on bonds (in 2014) 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).

15. Litigations

Management believes that the provisions for litigations as at 31 March 2015 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. Information regarding the amount of provisions was not separately disclosed, as in the opinion of the Group's Management, such disclosure could prejudice the outcome of the pending cases.

16. 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 2014. There have been no significant changes in the risk management department or in any risk management policies since the end of year 2014.

Liquidity risk

Compared to 31 December 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

(all cash amounts presented in text are in 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.

			31 March 2015 unaudited		31 December 2014	
	Category according to IAS 39	**Level of the fair value hierarchy**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Loans granted to related parties	A	2	10.6	10.3	10.5	10.2
Trade and other receivables	A	2	305.2	305.2	262.4	262.4
Cash and cash equivalents	A	*	21.7	21.7	13.3	13.3
Loans and borrowings	C	2	(2,640.7)	(2,595.1)	(2,831.7)	(2,773.3)
Finance lease liabilities	C	2	(1.4)	(1.3)	(1.6)	(1.6)
Accruals	C	2	(96.9)	(96.9)	(115.4)	(115.4)
Trade and other payables and deposits	C	2	(148.5)	(148.5)	(169.8)	(169.8)
Total			**(2,550.0)**	**(2,504.6)**	**(2,832.3)**	**(2,774.2)**
Unrecognized loss				(45.4)		(58.1)

A – loans and receivables
B – hedges
C - other

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

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

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 31 March 2015 and 31 December 2014 loans and borrowings comprised senior facility, revolving facility loan and Cash Pool. The discount rate for each payment was calculated as a sum of implied WIBOR interest rate and a margin regarding the

(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)

Company's credit risk. When determining the fair value of senior facility as at 31 March 2015 and 31 December 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 31 March 2015, forecasted cash flows from the reporting date to 31 May 2015 (assumed date of repayment of the loan) were analyzed. When determining the fair value of revolving facility as at 31 December 2014, forecasted cash flows from the reporting date to 31 March 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 determined using financial instruments valuation models, based on generally published currency exchange rates, interest rates, forward rate curves and volatility curves for foreign currencies taken from active markets. Fair value of derivatives is determined based on the discounted future cash flows from transactions, calculated based on the difference between the forward price and the transaction price.

As at 31 March 2015, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value	**31 March 2015 unaudited**	**Level 1**	**Level 2**	**Level 3**
IRS		-	(15.7)	-
Total		**-**	**(15.7)**	**-**

As at 31 December 2014, the Company held the following financial instruments measured at fair value:

Liabilities measured at fair value	**31 December 2014**	**Level 1**	**Level 2**	**Level 3**
IRS		-	(15.4)	-
Total		**-**	**(15.4)**	**-**

17. Important agreements and events

Agreements for the provision of data transfer services

On 3 March 2015 two memoranda of understanding determining new terms of cooperation in the scope of telecommunication services related to data transmission were concluded:

a) PLK Memorandum – memorandum concluded between Polkomtel Sp. z o.o. ('Polkomtel'), a wholly owned subsidiary of the Company, and Mobyland Sp. z o.o ("Mobyland") under the agreement on the provision of wholesale telecommunications services concluded between Mobyland and Polkomtel on 9 March 2012, and

b) CP Memorandum - memorandum concluded between the Company and Polkomtel under the agreement on the provision of wholesale telecommunications services, concluded on 27 March 2014 ("Framework Agreement").

In accordance with the PLK Memorandum and CP Memorandum, the parties have established new terms of cooperation between Polkomtel and Mobyland, as well as between the Company and Polkomtel, in particular:

a) a new unit price per 1 GB in relation to telecommunication services related to data transmission in the net amount of PLN 2.40 (not in millions);

b) the new price will be applicable to both newly ordered data packages as well as unused data packages already partially paid for under previous orders;

c) the new terms of cooperation were effective as of 1 January 2015 and the placed orders for data transmission will be valid for a period of 4 years;

d) in the event when Mobyland introduces services based on other own frequencies or frequencies to which it acquires usage rights, Mobyland will extend the scope of services related to data transmission provided to Polkomtel.

In addition, pursuant to the CP Memorandum, on 3 March 2015 the Company placed the CP Order with Polkomtel for the purchase of a subsequent data package of 600.9 million GB (the “CP Order”). The total value of the CP Order amounts to PLN 1,442.2 (net) and the surplus payments made for the previous order placed by the Company with Polkomtel, in relation to the actual usage, in the amount of PLN 19.6 were credited towards payments for the CP Order. Payments for the CP Order will be made in favor of Polkomtel according to the following schedule:

i. PLN 48.8, net – for the first quarter of 2015 in three equal monthly installments,

ii. PLN 53.9, net – for the second quarter of 2015 in three equal monthly installments,

iii. PLN 98.2, net – for the third quarter of 2015 in three equal monthly installments,

iv. PLN 140.1, net – for the fourth quarter of 2015 in three equal monthly installments,

v. PLN 385.5, net – for the year 2016 in twelve equal monthly installments,

vi. PLN 342.8, net – for the year 2017 in twelve equal monthly installments, and

vii. PLN 353.2, net – for the year 2018 in twelve equal monthly installments.

18. Events subsequent to the reporting date

Listing of Series J shares

The Management Board of the Warsaw Stock Exchange (the WSE) decided that 243,932,490 Series J ordinary bearer shares of the Company shall be listed on the main WSE market as of 20 April 2015 through an ordinary listing procedure. The Company’s intention was to have the Series J shares listed on the WSE after the rights related to the Series J shares were made uniform with the shares already listed on the WSE. These rights were made uniform as of 2 April 2015 as a result of the adoption by the General Meeting of the Company of a resolution regarding the distribution of 2014 net profits.

Merger of Cyfrowy Polsat and Redefine Sp. z o. o.

On 14 April 2015 the Management Board of the Company resolved to merge Cyfrowy Polsat (Taking-over Company) with Redefine Sp. z o. o. (Acquired Company), in which Cyfrowy Polsat holds 100% of share capital, and approved the merger plan. The planned merger of the two companies will be concluded by transferring all the assets of the Acquired Company to the Taking-over Company. As a result of the merger, the Acquired Company will be terminated without liquidation. The aim of the planned merger is to optimize costs and simplify the organizational structure of the Group in line with the Group's long-term strategy.

Acquisition of the shares in Orsen Holding Limited

On 1 April 2015 Cyfrowy Polsat acquired 99,9% shares of Orsen Holding Limited for the amount of PLN 34.9. As a result of the above mentioned acquisition Teleaudio Dwa Sp. z o.o. S.k. (the leader in Premium Rate services) and InterPhone Service Sp. z o.o. (the manufacturer of telecommunication and electronic appliances) have joined Cyfrowy Polsat Group.

19. 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. Detailed information in respect to the agreements is presented in the Management Report in note 4.3.6.

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 capital commitments resulting from agreements on property construction and improvements was PLN 6.8 as at 31 March 2015 (PLN 8.4 as at 31 December 2014). Additionally the amount of deliveries and services committed to under agreements for the purchases of licences and software as at 31 March 2015 was PLN 0.3 (PLN 0.3 as at 31 December 2014).

20. 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 2014.